Annual report 2010

max Bank

Change in accounting policies

With retrospective effect from the financial year 2009, Max Bank has changed its accounting policies to the effect that the Bank prepares its financial statements under International Financial Reporting Standards. As a result, the Bank has prepared a new annual report for 2009 to be presented at the Annual General Meeting in 2011 for its adoption thereof.

In addition to the change in accounting policies, the merger of the Bank and Skælskør Bank means that it is not possible to make a direct, detailed comparison of the figures in the 2010 annual report to annual reports previously published. This will be an issue throughout 2011 regarding the presentation of quarterly and interim reports.

This document is an unofficial translation of the Danish original. In the event of any inconsistencies the Danish version shall apply.

MANAGEMENT COMMENTARY

FINANCIAL STATEMENTS

2010 in headlines

The most significant event in Max Bank in 2010 was the merger with Skælskør Bank.

Thanks to the merger, Max Bank is now a sizeable regional bank in southern and western Zealand with its 13 private customer branches and five corporate customer branches. Total business volume calculated as the total amount of loans and advances, deposits, guarantees and custody accounts is DKK 15,4bn. At year-end 2010, the Bank had approx 40,000 customers and approx 23,000 shareholders,

The merger has expanded the Bank's market area considerably and has been warmly received by both customers and business partners,

In continuance of the merger, Max Bank carried through the largest capital increase in the Bank's history which has strengthened the Bank's capital foundation by almost DKK 100m.

2010 also became the year when Max Bank, as part of the merger with Skælskør Bank, repealed the historical ownership clauses in the Articles of Association. This was a precondition for the Government's shareholding of Skælskør Bank, and accordingly of the merged bank, that no restrictions on ownership or voting exist, Max Bank believed that future value creation for the shareholders would now have to be based on the non-existence of restrictions on the marketability and valuation of the Max Bank share in the capital markets.

In 2010, Max Bank maintained its general customer and market strategy to ensure differentiation in relation to its competitors. The strategy is based on close relations to and the desire to create positive experiences for the Bank's customers. Continued efforts were also made to reduce the Bank's credit risks and focus activities on Max Bank's geographical core area on Zealand – with a primary focus in southern and western Zealand,

2010 saw Max Bank realise a net loss of DKK 28,3m. Obviously, this loss is unsatisfactory even though it is considerably smaller than in the two preceding years.

Again in 2010, impairment losses were fairly large, and the level of impairment losses in the next few years remains uncertain.

The Bank also faces a considerable task in ensuring that, in 2013, it is able to fund its loss on deposits without the backing of government guarantees and maintain sufficient capital resources when the subordinate loans expire in the coming years.

Max Bank is therefore already focusing on the efforts to be made in terms of capital structure and optimisation of the income statement and balance sheet in a future world of finance without government-backed schemes. These efforts are outlined in the Bank's Plan 2013 on the following page.

Plan 2013

Max Bank has developed a “Plan 2013”. The background is the latest bank failures in Denmark and consequences thereof that are expected to result in the capital provision market to small and medium-sized banks becoming increasingly expensive and difficult,

This poses a considerable challenge for Max Bank and other banks that have based part of their capital structure on subordinate loan capital. Max Bank also has a relatively large loan-deposit gap which is covered by government-backed loans that expire in 2013.

Even though new government-backed solutions or market solutions may be developed to replace all or some the existing government guarantees, Max Bank does not want to find itself in a future situation of inadequate liquidity or capital. This is why we have decided to take on the challenge ourselves of carrying through a very firm and drastic plan over the next two years,

The object of Plan 2013 is to make the Bank independent of subordinate loans as part of its capital resources. From 2013, the Bank needs to have deposits balance with loans and advances to the effect that the Bank’s funding no longer hinges on government guarantees,

The following main elements are included in the plan:
- Additional earnings from a changed price structure to be implemented in H1 2011, generating DKK 25m to 30m net annually. To be optimised regularly in relation to market opportunities,
- Cost savings to be implemented in H1 2011, generating DKK 15m to 20m net annually. To be optimised regularly in relation to operations development.
- Planned investments in the cafe concept in 2011 to be reduced to a minimum.
- The Bank’s loans and advances to be reduced by a minimum of DKK 1,2bn, or approx 20% over two years. The Banks aspires to reduce a major portion of its loans and advances within the property sector and business activities outside the Bank’s primary market area.
- The Bank’s deposits to be increased by a minimum of DKK 1bn over two years.

In 2013 we will achieve:
- Sufficient solvency without including subordinate loan capital.
- A suitable liquidity level with very little external funding.
- Sound core earnings as the operating initiatives eliminate the negative effects of the balance sheet reduction.
- A larger share of private customers in ratio to corporate customers.

The plan is to also provide a sound foundation for the continued development of Max Bank as a major regional bank in southern and western Zealand based on the existing values of close relations to and positive experiences for our customers.

Merger of Max Bank and Skælskør Bank

Max Bank's activities were in 2010 influenced by the merger that was announced on 27 May 2010 by way of a stock exchange announcement.

Following fruitful negotiations, the Boards of Directors of Max Bank and Skælskør Bank were pleased to announce that they had agreed on recommending the banks' Annual General Meetings to merge the two banks with Max Bank being the surviving bank.

At Extraordinary General Meetings held on 9 August 2010 and 3 September 2010, respectively, the shareholders of Skælskør Bank and Max Bank adopted the merger of the two banks.

With accounting effect from 3 September 2010, Max Bank subsequently completed the merger.

From 3 September 2010, the effects of operations of the former Skælskør Bank were taken to the financial statements of Max Bank, the surviving bank.

For the financial year 2010 and the following four quarters, this will make impossible a direct, detailed comparison of the financial figures to prior periods.

The new Max Bank

The object of Max Bank is to carry on banking activities as well as other activities permitted under the Danish Financial Business Act. The primary activity of the Bank is to offer banking products to private and corporate customers.

Geographical representation and composition of customer portfolio

Following the merger with Skælskør Bank, Max Bank is the largest regional bank in the southern and western parts of Zealand with a total business volume of DKK 15.4bn calculated as the total amount of loans and advances, deposits, guarantees and custody accounts. At year-end 2010, the Bank had approx 40,000 customers and 23,000 shareholders.

Branch network

Zealand is the region in which Max Bank operates, and the Bank is represented in the southern and western parts of the region through 13 private customer branches and 5 corporate customer branches. Aquahuset at the harbour of Næstved is the Bank's headquarters that Max Bank moved to in April 2009.

Corporate centres, Max Bank has corporate centres in Næstved and Slagelse.

Corporate customer branches, In addition to the said corporate centres, Max Bank has corporate customer branches in Vordingborg and Skælskør as well as an agricultural branch in Dalmose.

Investment centre, Max Bank's Investment Centre is located at the headquarters in Næstved.

Private customer branches, Max Bank has 13 private customer branches in Kalundborg, Slagelse, Sorø, Korsør, Skælskør, Dalmose, Herlufmagle, Haslev, Næstved, Næstved Stor-Center, Faxe and Vordingborg as well as a Direct Centre serving customers from outside the region in which the Bank's branches operate.

Practical implementation of the merger and the merger process

Both banks envisaged major synergy opportunities from this merger in terms of markets, costs and earnings.

Since the publication of the merger plan, Max Bank has reduced its staff by 30 positions. Consequently, Max Bank had 242 full-time staff at year-end 2010. The staff reduction means that many of the estimated operating synergy effects of DKK 15-20m per year have been realised, impacting on future developments in performance.

At year-end 2010, the merger process is at an advanced stage. However, the IT systems of the two banks remain to be integrated. This has been planned for April 2011.

Customer and market strategy

Max Bank's general customer and market strategy is based on the branding platform successfully applied by the Bank for years.

Close customer relations, high availability and an informal tone form the basis of this platform. Also, Max Bank wants to stand out in a positive way from its competitors by building special customer relations beyond ordinary banking business.

Accordingly Max Bank wishes to stand out from other banks by emphasising four key values:

- Value creation
- Informal tone
- Status
- Availability

Local involvement

Another positive effect of the merger is that Max Bank now has a greater capacity to support local association activities in the region served by the Bank. In general, the merger has enabled the Bank to become more involved in the local communities.

Last but not least, the Bank has run an extensive branding campaign since the spring of 2010. This has made Max Bank highly visible in the local media. The reason for the campaign was that the reputation of the banking sector has been damaged. By way of customers' comments, the aim of the campaign was to give a different and more accurate picture of the advisory services offered to customers.

Emphasis on private customers

At year-end 2010, Max Bank's customer portfolio included approx 35,000 private customers and approx 5,000 corporate customers. They represent 32% and 68%, respectively, of total exposures.

Max Bank would like the private customer segment to represent a higher percentage of the Bank's total volume and earnings in order to increase the diversification of risks associated with the customer portfolio.

As for corporate customers, the Bank will still focus on establishing new business with small and medium-sized enterprises – in Zealand only to begin with.

Klub Max to be discontinued – the event section will be transferred to Max Fordele+

Since 1997, Max Bank has been offering a variety of events and other benefits to its customers through Klub Max. In recent years, the number of Klub Max members has been stable, meaning approx 1,500. As a parallel to Klub Max, the Bank introduced Max Fordele+ – a new incentive programme – to its customers and shareholders. During the first year alone, this programme attracted more than 2,000 customers and shareholders. As the two programmes overlap with each other to a certain degree, the Bank has decided to phase out Klub Max during the spring of 2011 and transfer some of the event elements to Max Fordele+.

Max Fordele+ is intended for persons who hold at least 50 Max Bank shares and who have e-Boks Nemkonto with the Bank as well as access to the home banking system. The customers will obtain certain benefits in the form of free services, discounts and fewer fees. In future, Max Fordele+ members will also be invited to special events.

When integrating the IT systems in April 2011, Max Fordele+ will be available to all of the Bank's customers.

Strategic alliances and external business partners

Max Bank has entered into strategic alliances with a number of external partners, These alliances and co-operative relations are aimed at increasing the Bank's range of services offered to customers without the Bank having to establish the functions itself, The Bank's overall policy is to regularly consider outsourcing areas that do not fall within its core business, or insourcing areas where doing so is found attractive, Key business partners include:

- *Banking sector, training and legal assistance*, The key business partners are Lokale Pengeinstitutter (industry association), Finansrådet (the Danish Bankers Association), Finanssektorens Uddannelsescenter (Training Centre for the Danish Financial Sector) and Finanssektorens Arbejdsgiverforening (The Danish Employers' Association for the Financial Sector),

- *Mortgage credit*, Totalkredit, which is owned by Nykredit, is Max Bank's primary business partner when it comes to mortgage financing of owner-occupied homes, Via DLR Kredit, of which Max Bank is a co-owner, we can also offer mortgage funding to the corporate sector,

- *Insurance*, Max Bank offers all common types of insurance to individuals and businesses, This is done together with Lokal Forsikring (corporate insurance) and PrivatSikring (non-life insurance),

- *Pensions*, Max Bank is the co-owner of Letpension, which co-operates with PFA pension,

- *Investment funds*, Max Bank is the co-owner of BankInvest, SparInvest, Value Invest and Garanti Invest, among others, In addition, LD Invest is an important business partner,

- *IT*, BEC (The banks' computer centre) supplies IT systems in support of Max Bank's full service concept in terms of customers as well as administration, In 2010, BEC started co-operating with SDC, a fellow subsidiary, on founding a jointly controlled enterprise, Nordisk Finans IT, which is to result in the combination of BEC and SDC in the long run,

- *Payment services and cards*, As for payment services and cards, including the Dankort system, Max Bank co-operates with Nets (formerly PBS), which was established as a result of the merger of PBS of Denmark, and BBS and Teller of Norway, In 2010, Max Bank also started co-operating with DanID, which is wholly owned by Nets and the administrator of NemID,

In 2010, Max Bank strengthened its risk management and control environment by establishing independent compliance and risk functions.

Risk management and credit situation

Also in 2010 did Max Bank attach great importance to risk management in order to ensure timely identification of and response to current and potential risks.

The Bank's Board of Directors establishes general risk policies and limits for all material types of risks, and considers the general principles for managing and monitoring the Bank's risks. Operational risk policies for all key business areas have been formulated based on the general risk policies as laid down by the Board of Directors.

Day-to-day management and monitoring of risks are primarily the responsibility of the Finance and Credit Departments as well as the Bank's Investment Centre and back office. In addition, certain functions have powers corresponding to their responsibilities, just as the following functions/units are part of the Bank's general risk management process: Executive Board, Risk Forum, Risk Management and Compliance.

Max Bank regularly strengthens its procedures for identifying and managing risks. Also, the Bank makes targeted efforts to ensure an effective control environment.

In 2009, Max Bank appointed a cross-organisational risk forum made up of the Executive Board as well as staff from the Finance and Credit Departments and the Bank's Finance Centre.

In 2010, the Bank took further measures in further strengthening risk management and controls through the establishment of independent compliance and risk functions. In doing so, Max Bank has already adapted its organisational structure to the new rules governing this area – rules which come into force in mid-2011, tightening the requirements relating to formalised procedures for governance and risk management of financial institutions.

Detailed risk report

In addition to this annual report, Max Bank has published a separate risk report. The risk report is available from our website, www.maxbank.dk/regnskaber. Material elements of the risk report are also disclosed in note 45, page 74, to this annual report.

The key risk factors may be categorised as follows:

- Risks associated with macroeconomic developments and market conditions
- Risks associated with the credit portfolio
- Risks associated with the market
- Risks associated with liquidity and funding
- Risks associated with operational errors
- Other risks associated with the Bank's business such as subsidiaries, recruitment and retention of key staff etc
- Risks associated with solvency and solvency needs
- Risks associated with laws, rules and restrictions.

As is evident from the risk report, credit risks generally represent the primary risk factor, accounting for approx 77% of the total risks of the Bank's statement of solvency need.

The credit situation by year-end 2010

In 2010, credit management was influenced in the same way as were several other industries by the financial crisis. Furthermore, the merger of the two banks has influenced Max Bank's credit procedures.

Max Bank is still making an effort to reduce the share of large exposures while trying to reduce the share of loans and advances and guarantees within the real estate sector in order to better diversify risk. As a result, the share of large exposures has been reduced to 84.7% of the capital base. This percentage is negatively influenced by the merger of the two banks and by Max Bank's capital increase as secured in the autumn of 2010. In order to further reduce the share of large exposures, the Bank has decided to make an effort to ensure that no single exposure exceeds DKK 80m.

The breakdown of loans and advances as well as guarantees by sector is shown in the table on the right.

The table shows that loans and advances granted to corporate customers of the combined banks represent approx 68% at 31 December 2010, and loans and advances to private customers represent 32%.

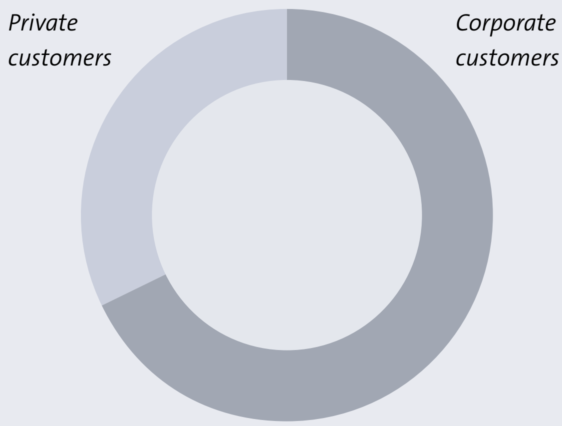
Loans and advances to the real estate sector still attract much attention. So the Bank has focused more on reducing its exposure to the construction industry, which represents 8.6% of the combined bank's risk exposure, and to real estate, which represents 24.9%. The Bank expects to reduce its exposure to the real estate sector over the coming years. Measured against the maximum benchmark of 25% as set by the Danish FSA's Supervisory Diamond (Tilsynsdiamanten), the Bank's total real estate exposure has been calculated at 25.3%, corresponding to the total amount of loans, advances and guarantees granted to the real estate and building project segments.

As part of the merger, efforts are made to align the business processes and the day-to-day management of loans and advantages to customers. In addition, all customer-serving staff has taken an introductory course in credit management to ensure that credit is granted consistently.

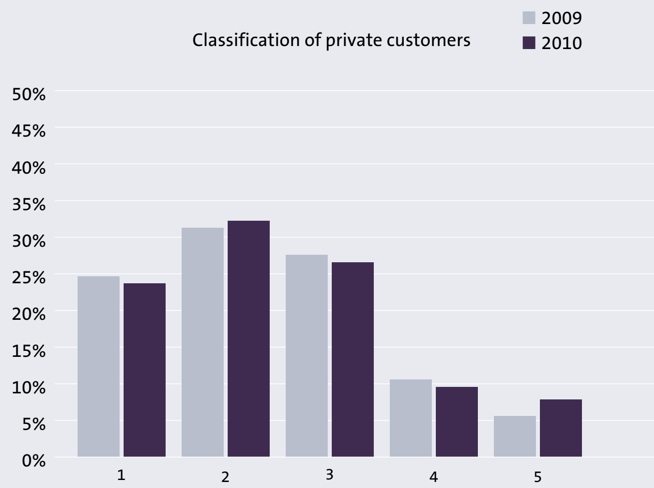
As for its existing risk classification, the Bank has started a process involving, for the first half of 2011, a systematic review of the former Skælskør Bank's customer portfolio with a view to implementing Max Bank's rating model. When this process has come to an end, all exposures involving loans and advances of more than DKK 5,000 will have been rated.

The slight increase in corporate exposures that are monitored closely continued from year-end 2009 to the third quarter of 2010. This has impacted on the

Loans and advances as well as guarantees broken down by private and corporate customers



Customers with loans and advances broken down by risk classes



The loans volume has been calculated as maximum credit granted to customers. The best category is no 1 and the poorest one is no 5.

Private customers, 32% (2009: 34%)

Corporate customers, 68% (2009: 66%)

Agriculture, hunting, forestry and fisheries, 7% (2009: 6%)

Manufacturing and raw material extraction, 1% (2009: 1%)

Energy supply, 2% (2009: 3%)

Building and construction, 9% (2009: 7%)

Trade, 5% (2009: 4%)

Transport, hotels and restaurants, 2% (2009: 2%)

Information and communication, 1% (2009: 0%)

Finance and insurance, 12% (2009: 14%)

Real estate, 25% (2009: 26%)

Other industries, 4% (2009: 3%)

Bank's level of impairment losses and its calculation of the solvency need.

In 2010, Max Bank was influenced by the continuously high level of impairment losses resulting from the credit risks and related effects of the financial and economic crises.

Uncertainty still exists as to the level of impairment losses for the coming years. One positive aspect is that the Bank's share of losses relating to the Financial Stability Company will cease in 2011. In 2010, this item represented DKK 21m of total impairment losses of DKK 107m.

Capital adequacy, solvency and liquidity

Capital increase fully subscribed for

In October 2010, Max Bank increased its share capital by issuing 4,157,625 new shares at DKK 20 nominal, corresponding to DKK 83.2m in total. The new shares were offered for subscription at DKK 25 per share with the existing shareholders having a pre-emptive right on a five-to-six basis. The issue was fully subscribed for, generating gross proceeds of DKK 103.9m.

This is the largest capital increase in the history of the Bank, resulting in nominal capital share having been more than doubled from DKK 69.3m to DKK 152.4m.

The reason for issuing new shares was the Bank's aim to strengthen its capital base with a view to strengthening its position in terms of capital, liquidity and solvency. Accordingly, the objective was to provide a solid buffer against the possibility of the economic recession continuing and against the economic crisis.

Acceptable excess cover, but challenges remain

Pursuant to the so-called Basel II regulations, the Bank must at any time uphold a capital base of a size that would be sufficient to cover any loss arising from a number of concurrent negative events. This size is reflected in the Bank's internal solvency need.

Max Bank has calculated its internal solvency need at 10.8% at year-end 2010 against 9.2% at year-end 2009. This increase is primarily attributable to Skælskør Bank's internal solvency need of 13.5% being a little higher at the time of the merger.

Although the Bank's actual solvency of 15% is well beyond the legal requirement of 8% and beyond the internal solvency need of 10.8%. Max Bank concludes that efforts must continue in the coming years to improve the capital structure, reduce credit risks and strengthen its position.

Increasing core capital rather than distributing dividend

In future, the legal requirements on banks' core capital will be tightened, not to mention the Basel II regulations. In addition, it is important for Max Bank to appear as an attractive business partner in the capital markets to secure refinancing of its subordinate debt – also after 2013 when the individual state guarantee provided under Bank Aid Package II expires.

Therefore, the Bank's Management is already now focusing on these matters. Management does not expect to distribute dividend to the shareholders in the next few years. The Board of Directors believes that spending the profit on strengthening Max Bank's core financial resources is in the shareholders' interest.

Max Bank's Risk Report for 2010, which is available from the Bank's homepage, www.maxbank.dk/regnskab, specifies the requirements for capital adequacy and the calculation of internal solvency need. Material elements of the risk report are disclosed in note 45, page 72, to this annual report.

Solid cash resources

In 2010, Max Bank strengthened its cash resources through loans from the Danish Government. As part of the merger with Skælskør Bank, the limit for raising government loans was changed from DKK 3.1bn to DKK 4.5bn. Following this change at 31 December 2010, Max Bank has utilised approx DKK 3.6bn of the total loan amount offered by the Government.

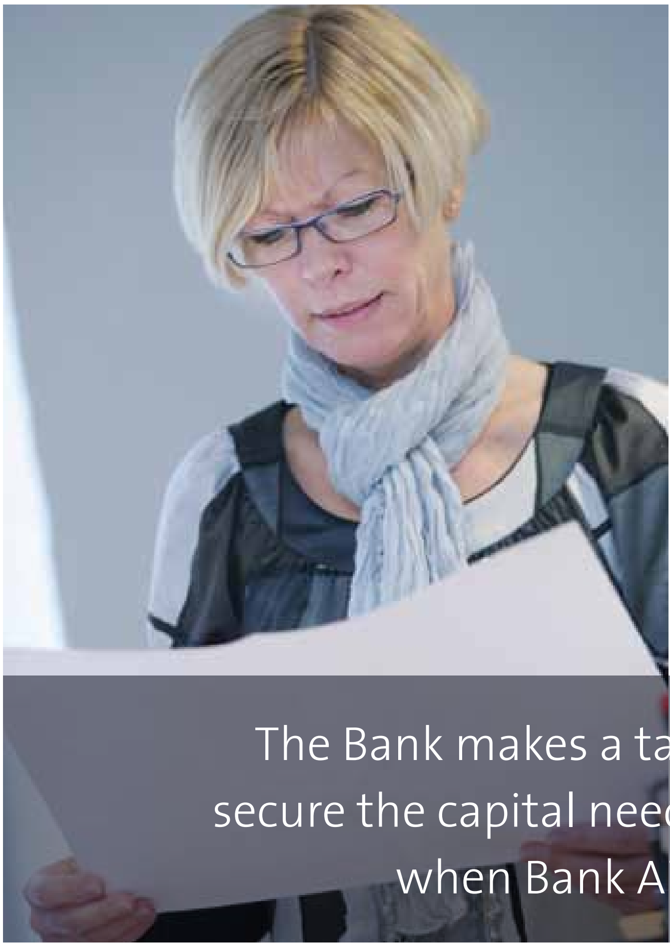
So, thanks to strong cash resources, the Bank was well prepared for the expiry of Bank Aid Package I and for the expected related withdrawal of deposits.

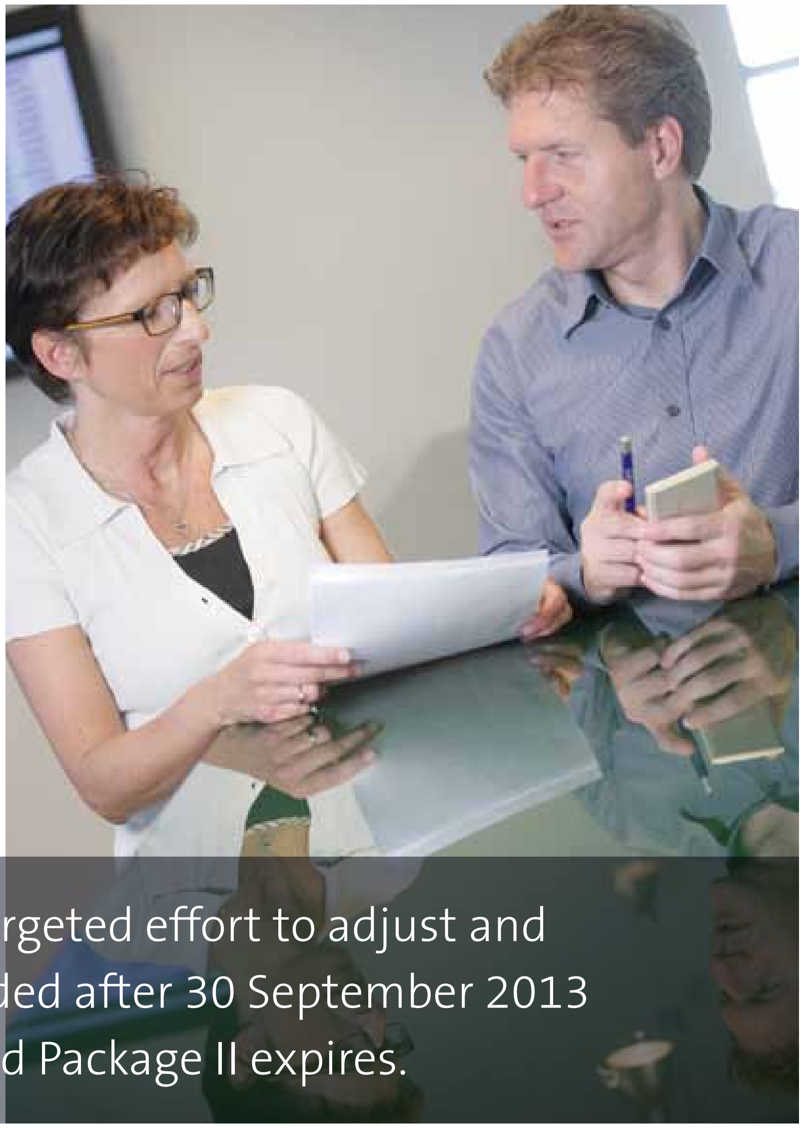
The capital resources have now been reduced to more normal levels. At year-end 2010, such resources re-

presented an excess cover of 209% compared to legal requirements, or approx DKK 2.1bn.

The Bank's cash resources are considered adequate until 2013 when refinancing will no longer involve the Government.

Max Bank has drawn up Plan 2013, specifying the efforts to be made in terms of capital structure as well as optimisation of the income statement and balance sheet in order to secure the funds required after the expiry of individual government guarantees. For further information about Plan 2013, see page 5.





The Bank makes a targeted effort to adjust and secure the capital needed after 30 September 2013 when Bank Aid Package II expires.

Max Bank and the Bank Aid Packages

Bank Aid Package I

Until 30 September 2010, Max Bank was covered by the guarantee scheme pursuant to the Danish Act on Financial Stability (Bank Aid Package I) with the Danish Government providing guarantee for deposits and general creditors' claims. Participation in the guarantee scheme has had a positive effect on Max Bank's deposits and possibilities of obtaining external funding. It has, however, also proved a relative expensive arrangement.

In 2010, Max Bank paid DKK 19m in commission to Det Private Beredskab (the Danish banking sector's contingency association). In addition, the Bank has paid another DKK 21m to cover its share of losses registered and realised to date on ailing banks which have been acquired by Det Private Beredskab. In aggregate, Bank Aid Package I cost DKK 40m in 2010.

Pursuant to their agreement with Det Private Beredskab, the participating banks have undertaken not to distribute dividend to their shareholders for the financial years 2008 and 2009. In July 2010, the Danish FSA requested that the banks, considering the prevailing uncertainty about economic developments, exercise financial prudence in 2010 and in future in distributing dividend or in other ways actively reducing their capital resources. As earlier mentioned, Max Bank has followed the FSA's recommendation by waiting to implement its long-term dividend policy until the market and the economic situation have stabilised.

Bank Aid Package II

In 2009, Max Bank was granted a government guarantee of up to DKK 3.1bn. Within this limit, the Bank has been able to raise government loans to cover its funding needs. The government guarantee, the limit of which was increased to DKK 4.5bn as part of the merger, expires on 30 September 2013.

At year-end 2010, Max Bank decided to only utilise DKK 3.6bn of the total offered amount of DKK 4.5bn. This credit facility no longer exists.

The Bank has exercised no other options for securing liquidity from the temporary solutions provided by Danmarks Nationalbank.

Bank Aid Package III

In 2010, Bank Aid Package I and Bank Aid Package II were followed by a third package, the so-called bank wind-up scheme for the handling of ailing banks after the expiry of Bank Aid Package I.

With this bank wind-up scheme, a future ailing bank has the possibility of entering into a special wind-up scheme offered by the Danish Financial Stability Company. This scheme enables controlled winding up, which is more favourable to the customers and to society than bankruptcy. For example, the customers will still be able to use their Danish payment cards etc.

In order for the banks to make use of the resolution scheme, if necessary, their general meetings must have been presented with a request in this respect and have expressed their views as to the participation in the scheme.

Max Bank intends to present such request at the Annual General Meeting to be held in 2011. The Board of Directors prefers not to state whether or not it would recommend Max Bank to participate in the scheme under the Act on Financial Stability in the above situation, as the Board believes that the Bank is better off by not expressing its views. The Board is not at all against the scheme. It only prefers not to express its view in this respect to avoid, among other things, the uncertainty that the scheme might raise in the banking sector. The uncertainty relating to this scheme, which only applies in Denmark, is considered to possibly result in a tightening of the Danish and international criteria for securing liquidity and capital. In making this decision, Max Bank follows the recommendations by the Danish Bankers' Association and Lokale Pengeinstitutter (the Association of Local Banks, Savings Banks and Co-operative Banks in Denmark).

Max Bank's objective is to be an attractive and innovative workplace in the banking sector, This way, we ensure that we can recruit and retain the most proficient staff in the market.

Staff and organisation

The overall aim of Max Bank is to appear as a sound and attractive workplace in the banking community in order to attract and retain the most proficient staff in the market.

That is why Max Bank focuses heavily on staff development and job satisfaction. For instance in 2010, the Bank participated in the contest to be voted Best Workplace in Denmark for the fourth time through Great Place to Work. In 2010, Max Bank was ranked 54th of 124 enterprises following a considerable increase in general job satisfaction. Compared to 2009, Max Bank has improved its score on the following five parameters forming the basis of the survey: Credibility, respect, fairness, pride and community.

As in prior years, Max Bank deliberately chose to participate in the Best Workplace in Denmark survey to get a rating on which to base the organisational development and improvement of Max Bank.

Measures taken as part of the merger

Measures taken in the field of HR, particularly in the second half of 2010, were primarily about creating a common corporate culture and common values after the merger. Great efforts were made to succeed in merging the two cultures. The aim was to have all staff share Max Bank's key values, which were introduced in 2001 and which are described in the Bank's vision to build financial friendships with customers based on close relations.

Unfortunately, the wish to obtain considerable synergy effects from the merger has caused the Bank to let some employees go. In 2010, 30 positions were shed in total, however, half of them through natural retirement, 15 staff were dismissed as part of the merger. However, the Bank has tried to mitigate the consequences and reduce staff in a decent way.

In practical terms, the merger has proceeded according to plan, though. At the end of September 2010, some 25 employees from former Skælskør Bank were relocated to Aquahuset in Næstved. Now all administrative staff is working in Næstved. In addition, the private customer branches in Slagelse have been brought together at Fisketorvet in Slagelse, and the branches dealing with corporate customers are now working in Nordre Ringgade 70 in the eastern part of Slagelse.

Functional new head office

In April 2009, Max Bank moved into its new head office, Aquahuset, in Femøvej at Næstved Harbour. The head office is functional in terms of organisation and has improved the working situation of the employees considerably. Aquahuset also serves as an inspiring setting for the many outward-oriented activities and events for customers and other stakeholders.

Forums across functions

In 2010, Max Bank established several cross-functional forums in order to ensure better knowledge sharing and quicker adaptation to, for example, changing market conditions. The new forums are:

- *Market Forum*, consisting of the Executive Board, the Marketing Manager, the Head of Private Customers, the Corporate Customer Manager and an external consultant.
- *Private Forum*, consisting of the Executive Board and all branch managers from the private customer segment.
- *Corporate Forum*, consisting of the Executive Board and the heads of the Bank's corporate centres and corporate customer branches.
- *Executive Forum*, consisting of the heads of the Bank's staff and customer functions.

Max Bank already has a Risk Forum. Besides the Executive Board and the Head of the risk function, this forum is made up of the Chief Financial Officer, the Head of the Credit Secretariat, the Finance and Investment Manager.

IT challenges

One of the major organisational challenges in 2011 will be to integrate the IT systems of former Skælskør Bank and Max Bank.

The fact that both banks have BEC as their IT service provider is an advantage, but the banks use their systems differently, for which reason the systems cannot easily be integrated. Therefore, several simulations and test conversions will be made up until April 2011 when the final conversion is to take place.

Subsidiaries

Max Bank is the parent of a banking group. At year-end 2010, the Group had five subsidiaries.

AdministratorGruppen AS is a property management company involved in administration of owners' associations, cooperative housing associations and rental properties. At 1 January 2010, Max Bank has increased its equity interest from 51% to 100%. In recent years, a major restructuring took place at AdministratorGruppen for the purpose of generating operating profits. Still, the market conditions are not favourable, complicating the process of turning losses into profits. The loss for 2010 is DKK 5.6m. The performance for 2011 is expected to improve considerably.

Nauca A/S is engaged in real estate rental and owns the flat in Næstved Stor-Center housing Max Bank's branch. This company realised a profit of DKK 0.3m.

Nor Fjor Finans A/S owns several of the sites of the subdivided land of Guldagergård in Skælskør in addition to an investment property. This company realised a loss of DKK 2.3m for 2010.

Hovedgaden 50, Dalmose A/S is a property company owning the property in Hovedgaden 50 in which Max Bank has a branch. This branch is also the Bank's agricultural branch, Hovedgaden 50, Dalmose realised a loss of DKK 0.2m for 2010.

Skælskør Bolig A/S had no operations in 2009 or 2010 and is in the process of being liquidated. The company is included in the Group's balance sheet by DKK 1.3m. The liquidation process is not expected to generate further losses for the company.

Investor relations

Max Bank attaches great importance to communication to and dialogue with shareholders, investors and anyone with a participating interest. In terms of investor relations, Max Bank generally believes that being open is the best way to make the stakeholders feel secure about their relations with us.

Since 2007, for example, the Bank has been disclosing its internal solvency need, and during the financial crisis we were giving the market detailed insight into the composition and developments of loans and advances granted to industries subject to particular public focus.

Since 2007 we have also been publishing a detailed risk report, which is available at the Bank's homepage (www.maxbank.dk/regnskaber). Since 2009, in addition to this report, we have been publishing a CSR report, describing the CSR measures taken by the Bank.

Since 2002, the Executive Board and the Board of Directors of the Bank have been considering the concept of corporate governance. From the very beginning, they have followed the corporate governance recommendations.

Repeal of historical ownership clause

As part of the merger, the historical ownership clause of the Bank's Articles of Association was repealed in 2010. With a few minor exceptions, this means that Max Bank, as one of the first regional banks in Denmark, meets the corporate governance recommendations made by the Danish Committee on Corporate Governance.

Further, Max Bank's Board of Directors believes that future value creation for the shareholders will now be based on the non-existence of restrictions on the marketability and valuation of the Max Bank shares in the capital markets.

Major shareholders

On 12 November 2010, LFU Holding ApS of Copenhagen announced that, following a purchase, they owned 781,000 shares, or 10.25% of the share capital.

This resulted in a reduction of the Government's equity interest. Consequently, the Danish Government (the Ministry of Finance, Copenhagen) owned 19.9% of the total share capital at year-end 2010. The Government and Max Bank have agreed that the Government's equity interest is to be reduced in the next few years.

The Max Bank share

At year-end 2010, the Bank had a total of approx 23,000 shareholders.

Total return on a share in Max Bank A/S

	2010	2009	2008	2007	2006
Price at 31 December	27	72	60	532	564
Capital gain	-45	12	-472	-33	162
Dividend	0	0	0	3	3
Value of subscription right	3	0	0	0	78
Return in DKK	-42	12	-472	-30	243
Return for the year	-57,6%	20,2%	-88,7%	-5,3%	60,8%

The Bank held 7,622,313 shares at year-end 2010 which have been admitted for listing on NASDAQ OMX Copenhagen. Each share has a nominal value of DKK 20. The share capital is not divided into classes. At year-end 2010, the Bank had a holding of 67,956 treasury shares.

The Bank's shares were traded at the price of DKK 27.40 on the last trading day of the year. This corresponds to a price/book value of DKK 0.44, making the share one of the cheapest banking shares on NASDAQ OMX Copenhagen in terms of price/book value.

www.maxbank.dk

Max Bank's homepage is one of the Bank's most important communication channels with shareholders and investors, customers and other stakeholders. For example, all stock exchange announcements are published on the homepage, including annual reports and quarterly reports specifying the Bank's strategy as well as financial developments and position.

Max Magasinet

Max Magasinet too, which was published quarterly also in 2010, is among the Bank's primary communication tools in relation to shareholders. The magazine was redefined as part of the merger.

Corporate Governance and CSR

Since 2002, Max Bank has regularly considered the concept of corporate governance in accordance with the recommendations by the Danish Committee on Corporate Governance.

Max Bank's approach to these recommendations is summarised below. For a full account of the Bank's approach to the 78 corporate governance recommendations, please refer to www.maxbank.dk/cg.

The Board of Directors' work in 2010

Naturally, the work performed by Max Bank's Board of Directors in 2010 has been heavily influenced by the merger with Skælskør Bank. The merger also resulted in several changes to the Board of Directors.

According to the merger agreement, Hans Fossing Nielsen, Chairman of the Board of Directors since 1990, would also be chairing the Board of Directors of the Bank after the merger. It was also decided that Peter Melchior, former Chairman of Skælskør Bank's Board of Directors, would become Vice-Chairman.

Besides the vice-chairmanship, Skælskør Bank was also granted another seat on the Board to be appointed by the General Meeting. This seat has been taken by Henning Skovlund, former Vice-Chairman of Skælskør Bank's Board of Directors.

Acknowledging the situation, Henrik Forssling and Sven Jacobsen, former members of Max Bank's Board of Directors, decided to make available their seats in connection the Extraordinary General Meeting at which the merger was adopted by Max Bank's shareholders for purposes of the composition of the Board of Directors after the merger.

Similarly, Mogens Pedersen, employee representative, offered to give his seat to Per Vesterholm, an employee of Skælskør Bank.

The Board of Directors has had a good and constructive working relationship, also after the merger, and has held 34 meetings with the aggregate turnout reaching 89.3%.

New remuneration rules

In November 2010, the Danish Minister for Economic and Business Affairs introduced a bill on rules to govern remuneration of boards of directors, executive boards and employees of financial businesses. The bill introduces new rules under the European Capital Adequacy Directive, the European Commission's recommendations on remuneration policies in the financial sector and the Danish Government's agreement with the parties behind the political settlement on reasonable pay policies in the financial sector.

The purpose of the bill, which was passed shortly before Christmas and entered into force on 1 January 2011, is to ensure that remuneration of management and staff does not lead to excessive risk-taking.

Max Bank's Board of Directors points out that the Bank already complies with the new statutory rules, as no share option programmes or similar programmes or incentive programmes exist for its Board of Directors, Executive Board or other key risk-taking staff of the organisation.

Supervisory Diamond

The FSA has introduced a so-called Supervisory Diamond that stipulates a number of special risk areas, stating limit values with which banks should generally keep to from year-end 2012.

The limit values have been set to avoid excessive risk-taking and include the following factors/indicators:

- **Sum of large exposures**
  A large exposure is an exposure representing more than 10% of the capital base before deduction of

particularly safe elements and collateral security received, etc. The Supervisory Diamond's limit value is based on large exposures representing at least 10% of the capital base after deduction.

- **Annual lending growth**
  Annual lending growth, including repurchase agreements and net of impairment losses.
- **Property exposure**
  Property exposure is defined as total loans, advances and guarantee debtors relating to the real estate and construction sectors in accordance with Statistics Denmark's classification of sectors.
- **Funding ratio**
  Loans and advances/working capital less bonds with a term to maturity of less than one year. Working capital includes deposits, bonds issued etc, subordinate debt and equity. Total deposits, loans and advances are calculated exclusive of repurchase agreements.
- **Excess liquidity coverage**
  Excess liquidity coverage is defined as excess liquidity after compliance with statutory minimum requirements.

The status for Max Bank in relation to the stated benchmarks at year-end 2010 is summarised in the table below.

Board of Directors of Max Bank

The Board of Directors of Max Bank consists of nine members of which six are elected by the Annual General Meeting for a term of three years at a time, in that two members are up for election every year. The Board of Directors also includes three employee representatives who are all up for election every four years.

The Board of Directors has been authorised to increase the share capital by up to DKK 110,000,000 nominal. On 1 October 2010, the Board of Directors decided to partly exercise this authority by subscribing for DKK 83,152,500 nominal in new shares in the Bank. The residual amount for which authorisation has been granted is DKK 26,847,500, exercisable until 22 March 2015.

The Board of Directors is also authorised to acquire treasury shares in the aggregate face value of 10% of the total share capital. The authorisation is valid until the next Annual General Meeting planned for 30 March 2011.

Board Committee

In the spring of 2009, the Board of Directors appointed an Audit Committee in accordance with the rules laid down by the FSA. The main role of the Committee is to help the Board of Directors to fulfil its responsibilities of ensuring independent and objective monitoring of the Bank's financial reporting, internal control systems, risk management systems and statutory audit, Jan Borre Bjødstrup chairs the Audit Committee. He fulfils the requirements as to special accounting qualifications and independence of the Bank. Steen Sørensen is also a member of the Audit Committee.

THE SUPERVISORY DIAMOND	LIMIT VALUE	MAX BANK
Sum of large exposures	< 125%	84.7%
Annual lending growth	< 20%	41.8% *
Property exposure	< 25%	25.3%
Funding ratio	< 1	0.73
Excess liquidity coverage	> 50%	208.6%

* The growth in loans and advances is attributable to the merger as growth is in fact negative.

Board of Directors of Max Bank

Moreover, the Board of Directors has set up a statutory Remuneration Committee which is made up of the entire Board of Directors.

CSR

CSR, which is the abbreviation of Corporate Social Responsibility, refers to the way enterprises voluntarily integrate considerations as to human rights, social issues, environmental and climate change issues and anti-corruption measures, etc into their business strategies and business activities.

Pursuant to the Danish Financial Statements Act, approx 1,100 of the largest Danish enterprises are required to account for their CSR efforts from 1 January 2009.

The Act does not require enterprises to carry out specific CSR activities or in fact to focus on CSR at all as doing so remains a voluntary choice.

In addition to the publication of this annual report, Max Bank has published a special CSR report on its homepage, elaborating on the Bank's CSR efforts (www.maxbank.dk/csr).

Board of Directors of Max Bank

Hans Fossing Nielsen, Chairman, 65
Engineer

For many years, Hans Fossing Nielsen owned and ran H. Nielsen & Søn A/S – a contracting and carpentry company in Næstved. As the result of the gradual generational handover, Hans Fossing Nielsen retired from the company's day-to-day operations at year-end 2009.

Hans Fossing Nielsen has been Chairman of the Board of Directors since 1990. Therefore, he has many years of experience from working on the Board and is an important driving force behind the Bank's growth and major change processes. In addition, he has sound business acumen, especially within the property sector in which the Bank has considerable market shares. This is of great relevance to his work on the Board.

The Articles of Association were amended last year to the effect that Hans Fossing Nielsen could be re-elected to the Board of Directors for one extra year. The purpose was to enable Hans Fossing Nielsen of staying on as Chairman until the merger with Skælskør Bank had been completed. The merger and integration of the two banks into the new Max Bank progressed better and faster than expected. In view of this, Hans Fossing Nielsen has decided not to stand for re-election at the upcoming Annual General Meeting.

Executive Officer of H.F. Nielsen Næstved ApS
Executive Officer of H.F.N. Holding ApS
Executive Officer of Grimstrup Holding ApS
Chairman of the Board of Directors of the Bank's subsidiary, Nauca A/S
Chairman of the Board of Directors of AdministratorGruppen AS
Chairman of the Board of Directors of AdministratorGruppen Leasing ApS
Chairman of the Board of Directors of AdministratorGruppen Invest ApS
Chairman of the Board of Directors of AdministratorGruppens Sikrings-konto A/S
Member of the Board of Directors of H. Nielsen & Søn A/S
First elected to the Board of Directors of Max Bank in 1987
Term of office expires in January 2011.

Peter Melchior, Vice-Chairman, 43
Estate Owner, Agronomist

Peter Melchior owns and runs the estates of Gerdrup and Lyngbygaard near Boeslunde. His family has been the owner of the estates for generations. The estates include agriculture and forestry as well as production of Christmas trees. He also leases the land belonging to the Selsø-Lindhold Gods estate. The size of the estate (farm land and forest) is approx 1,100 hectares.

Chairman of the Board of Directors of Nor Fjor Finans A/S, Skælskør
Chairman of the Board of Directors of Hovedgaden 50, Dalmose A/S, Skælskør
Executive Officer and Chairman of the Board of Directors of Gerdrup-Lyngbygård Landbrug ApS
Executive Officer and Chairman of the Board of Directors of 1.9.1998 ApS
Member of the Board of Directors of ApS Habro Komplementar-18
Member of the Executive Committee of K/S Habro-Redhill
Member of the Board of Directors of Ejendomsselskabet Company House II, Kolding A/S
Member of the Board of Directors of Kirkeby Skoven ApS
First elected to the Committee of Shareholders of Skælskør Bank in 1997
Elected to the Board of Directors in 2000, Chairman of the Bank's Board of Directors since 2007
Term of office expires in 2011.

Dan Andersen, 59
Executive Officer, MSc (Economics and Business Administration)

Dan Andersen is the owner of COMING/1. This agency was established in 1983 as a full-service advertising agency rendering services within marketing and communication consultancy, graphic designs and graphic production as well as services both to B2B and B2C customers, including a number of market leading businesses. The business model was changed in 2009 to the effect that COMING/1 now focuses on strategic consultancy within marketing, media and communication.

Having a background in marketing economics combined with a wide understanding of many sectors, including board work in a number of businesses. Dan Andersen plays a special role regarding the Bank's customer and marketing strategies.

Executive Officer and member of the Board of Directors of COMING/1 Reklame/markedsføring A/S
Executive Officer of COMING/1 Holding ApS
Member of the Board of Directors of Sjælland Sport & Event A/S
Member of the Board of Directors of Næstved Boldklub A/S
Member of the Board of Directors of SSE Basket A/S
Member of the Board of Directors of SSE Event A/S
Member of the Board of Directors of Maglemølle Erhvervspark A/S
Member of the Board of Directors of H. Nielsen & Søn A/S
Member of the Board of Directors of AdministratorGruppen AS
Member of the Board of Directors of AdministratorGruppen Leasing ApS
Member of the Board of Directors of AdministratorGruppen Invest ApS
Member of the Board of Directors of AdministratorGruppens Sikrings-konto A/S
First elected to the Board of Directors of Max Bank in 1989
Term of office expires in January 2013.

Jan Borre Bjødstrup, 55
Estate Manager, HD Graduate in Accounting and MSc (Business Economics and Accounting)

Thanks to his background in auditing and positions in the business sector, Jan Borre Bjødstrup worked professionally with economics, funding and financial reporting. And his job as Chief Internal Auditor of Max Bank from 1998 to 2001 has given him detailed knowledge of banking activities. Last but not least, Jan Borre Bjødstrup has gained important knowledge of farming from his present position.

Estate Manager of the Giesegaard and Juellund estates near Ringsted
Chairman of Max Bank's Audit Committee
Member of the Board of Directors of FBS A/S
First elected to the Board of Directors of Max Bank in 2009
Term of office expires in 2012.

Henning Skovlund, 60
Chief Financial Officer, MSc (Economics)

Henning Skovlund has more than 25 years of experience from banks and financing companies. Being a member of several boards of directors, Henning Skovlund has good relations with the corporate sector. For several years, he has been serving as external lecturer at the University of Southern Denmark.

Vice-Chairman of the Board of Directors of Nor Fjor Finans A/S, Skælskør
Vice-Chairman of the Board of Directors of Hovedgaden 50, Dalmose A/S, Skælskør
Vice-Chairman of the Board of Directors of Enkotec A/S
Vice-Chairman of the Board of Directors of Glunz & Jensen, Ringsted
Member of the Board of Directors of Nordic Corporate Investments A/S
Member of the Board of Directors of Investeringsforeningen Mermaid Nordic
Member of the Board of Directors of Nunaminerals A/S
Member of the Investor Board of LD Equity I
Member of the Board of Directors of Bikubefoundation New York, Inc.
Elected to the Board of Directors of Skælskør Bank in 2007
Term of office expires in 2012.

Steen Sørensen, 53
Chief Executive Officer, MSc Soc in Business Studies and Psychology and HD Graduate in Accounting

Steen Sørensen has been working in the financial sector, but changed to the sector of vocational and technical training in 1988. Zealand Business College (ZBC) has departments in Vordingborg, Næstved and Ringsted. He also holds a special position as Chairman of the Executive Section of Handelsskolernes Lærerforening (Teachers' Association of Danish Business Colleges).

Based on his knowledge of finance and strategy combined with his vast experience in organisational development and change processes, Steen Sørensen contributes considerably to the continued development of the Bank.

Director of Zealand Business College (ZBC)
Member of the Board of University College Sjælland
Member of the Board of Erhvervsakademi Sjælland
First elected to the Board of Directors of Max Bank in 2007
Member of Max Bank's Audit Committee
Term of office expires in January 2013.

Mie Rahbek Hjorth, 44
Credit Officer

Mie Rahbek Hjorth was employed by Max Bank on 1 November 2001 as Credit Officer at the Credit Department. From this job, she has gained a thorough insight into corporate banking and credit management.

Throughout her career in the financial sector, she has worked with both private and corporate customers for many years.

Elected to the Board of Directors of Max Bank by the employees, first in 2007
Term of office expires in 2011.

Preben Pedersen, 63
Customer Advisor

Preben Pedersen has a diploma degree and was employed by Max Bank in 1965. He works at the Næstved City Branch as a private customer advisor.

Elected by the employees to Max Bank's Board of Directors, first in 1991, Preben Pedersen has been on the Board of Directors for two terms running until 1987.
Was re-elected to the Board in July 2010 as alternate member of the Board of Directors, replacing Kurt Aarestrup.
Term of office expires in 2011.

Per Vesterholm, 55
Branch Manager

Until the merger of Max Bank and Skælskør Bank, Per Vesterholm used to be the head of Skælskør Bank's Business Centre. Today, he is the Branch Manager of Max Bank's private customer branch in Slagelse. He was employed with the Bank on 1 January 2003.

Elected by the employees of Skælskør Bank to the Bank's Board of Directors, first in 2005
Term of office expires in 2011.

Management's financial review for 2010

At year-end 2010, Max Bank's total business volume was DKK 15.4bn, calculated as the total amount of loans and advances, deposits and guarantees as well as custody account volume.

Loans and advances represent DKK 6.3bn. This level largely remains unchanged compared to the total amount of loans and advances of Max Bank and Skælskør Bank at year-end 2009.

After the merger, the guarantees represent DKK 1.4bn at year-end 2010. On balance, this amount also remains unchanged compared to the guarantees held by the two banks at year-end 2009.

Deposits amount to DKK 4.3bn, or approx DKK 1.3bn down on total deposits with the two banks a year ago. This increase is mainly attributable to the expiry of the unconditional government guarantee for deposits with Danish banks under Bank Aid Package I, having caused the very large fixed-term deposits made with Max Bank during the government guarantee period to be withdrawn from the Bank up until the end of September 2010. This came expected, and in the first seven months of 2010 the Bank set aside the liquidity necessary to handle the situation.

However, the custody account volume has increased considerably to DKK 3.3bn, influenced, among other factors, by increases in the share markets in 2010.

Net interest income

Max Bank's net interest income for 2010 is DKK 234.2m.

We point out that a commission of DKK 7.6m to the Financial Stability Company relating to government guarantees for loans raised to finance the Bank's funding needs is included in net interest income from 1 October 2010 when the collective government guarantee under Bank Aid Package I was replaced by an individual government guarantee.

Commission income

The Bank's fee and commission income for 2010 is DKK 81.8m. Guarantee commission decreased considerably due to the conversion of foreign loans to own lending. However, this has had a positive effect on net interest income.

Net interest and fee income is then DKK 303.8m.

The creation of synergy effects has proceeded as planned

Already in 2010, with total costs of DKK 227.8m relating to staff, administration and depreciation and amortisation, the Bank achieved economic benefits from the merger as compared to the independent operations of the individual units.

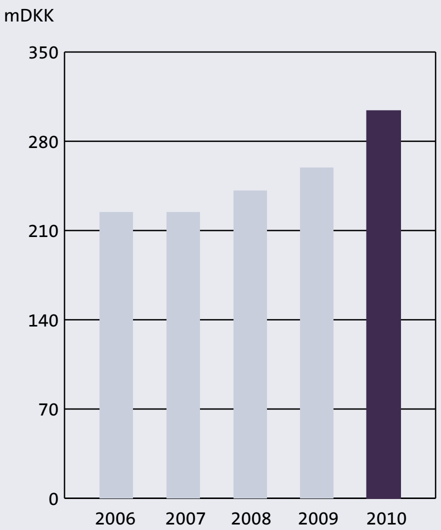
As part of the merger, Max Bank has reduced its staff by more than 30 positions. Consequently, Max Bank had 242 full-time staff at year-end 2010. The staff reduction means that many of the estimated operating synergy effects of DKK 15-20m per year have been realised.

For 2010, payroll costs and administrative expenses were negatively influenced by non-recurring merger costs, including the charging of salaries, wages and other remuneration paid to discharged employees during the entire period under notice.

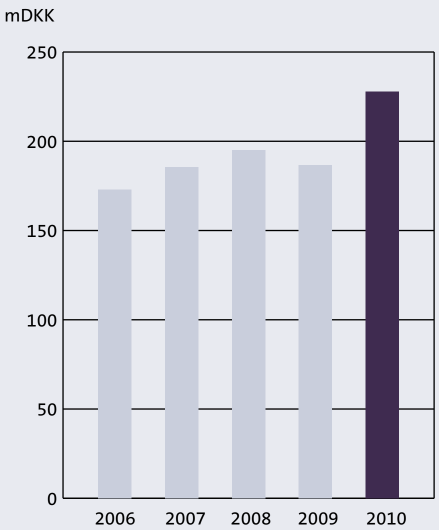
Profit of DKK 76.0m from ordinary banking activities

Despite extraordinary costs, Max Bank realised a profit of DKK 76.0m from ordinary banking activities in 2010. This profit includes net interest and fee income as well as staff costs, administrative expenses, depreciation and amortisation.

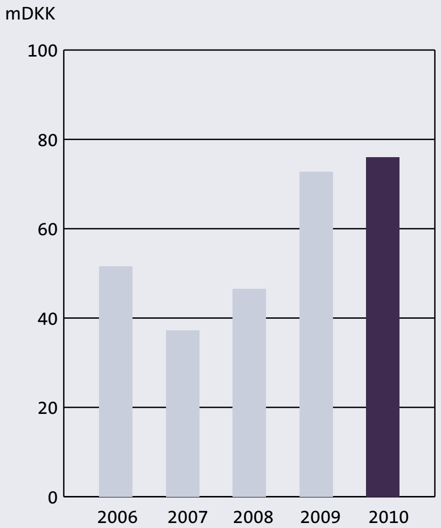
Net interest and fee income*



Staff costs and administrative expenses, etc*

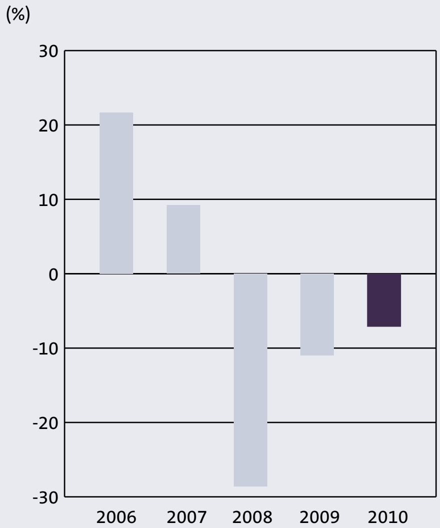


Primary banking activities*



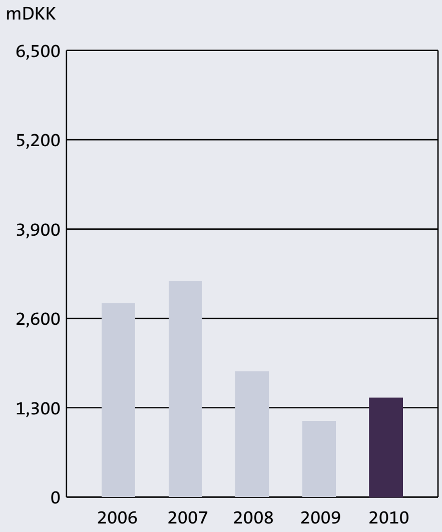
Profit after tax*

Return on equity after tax*

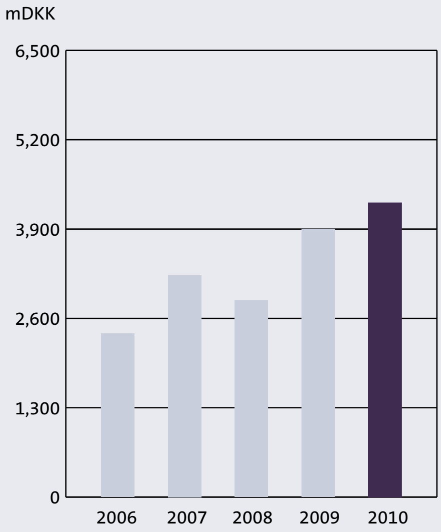


*** These figures relate to the Bank only.**

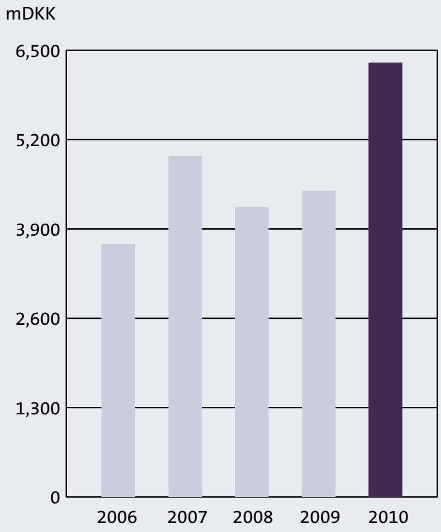
Guarantees*



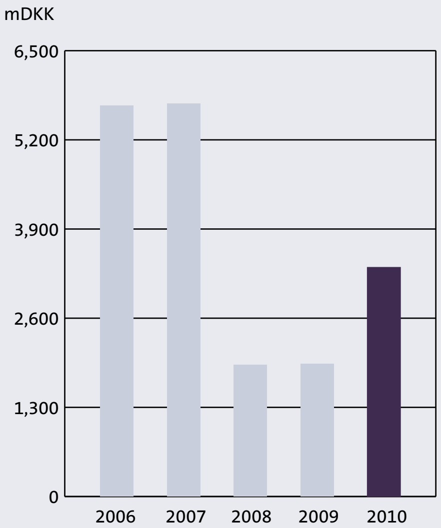
Deposits*



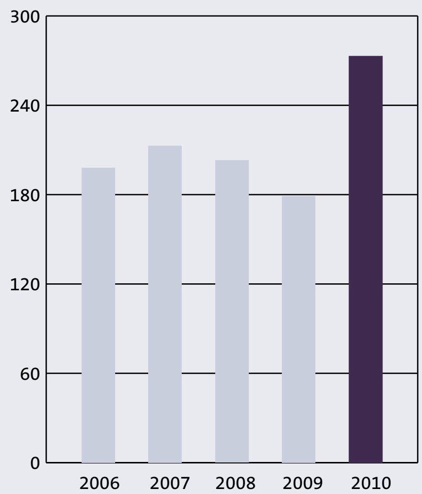
Loans*



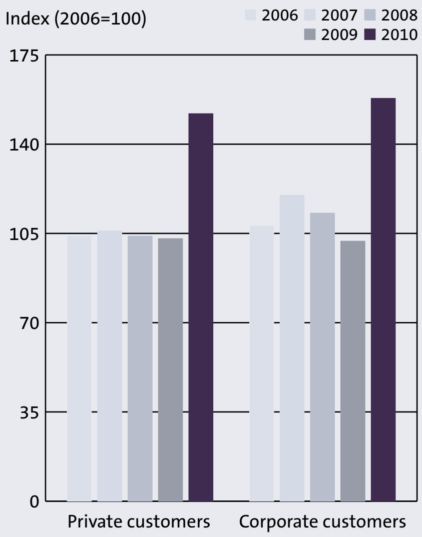
Custody account volume*



Number of employees (average)*



Customer base development*



*** These figures relate to the Bank only.**

Positive translation/market value adjustments

In 2010, Max Bank realised positive translation/ market value adjustments of DKK 2.0m. In addition, the Bank recognised other operating income of DKK 19.4m. This is the accounting consequence of the merger relating to calculated negative goodwill of Skælskør Bank – the difference between calculated net assets and the value of Max Bank shares issued to the former shareholders of Skælskør Bank.

Still fairly large impairment losses

Impairment losses for 2010 total DKK 106.7m. This amount is still fairly high, however, lower than total impairment losses for 2009. The amount includes DKK 21m in impairment losses made under Bank Aid Package I.

In addition, the Bank has paid DKK 19.2m in commission to Det Private Beredskab regarding the collective government guarantee for deposits and single creditors' claims with Danish banks under Bank Aid Package I. This Package ceased to exist on 30 September 2010, and commission payments were no longer to be made from this date. However, this item of expenditure has been replaced by commission payments for the individual government guarantee for loans raised to refinance the Bank's funding needs. Such payments have been recorded as interest expenses.

Of the impairment losses of DKK 85.7m relating to the Bank's own write-downs for impairment, 37% is attributable to private customers, whereas 63% relates to corporate customers. Losses on the corporate segment are primarily attributable to building and construction.

Also for 2011, Max Bank expects fairly large impairment losses.

Pre-tax loss of DKK 38.2m

Max Bank realised a pre-tax loss of DKK 38,2m for 2010. Net loss for the year amounts to DKK 28.3m. This corresponds to the expected performance announced in the Stock Exchange Announcement of 8 February 2011

Capital base of DKK 1.2bn

Max Bank's equity at 31 December 2010 may be calculated at DKK 472.4m. Equity has been positively influenced by the capital increase fully subscribed for, which took place in October 2010, strengthening the Bank's capital resources.

Add to this subordinate debt of DKK 830.0m. At year-end 2010, the total capital base was DKK 1.2bn, or a solvency ratio of 15.0%.

The solvency ratio of 15.0% should be viewed against the calculated internal solvency need of 10.8%.

Normalised capital resources

At year-end 2010, Max Bank's capital resources provide a solid excess cover compared to the statutory requirement of 208.6%, or DKK 2.1bn.

Outlook for 2011

For 2011, Max Bank expects the profit from ordinary banking activities to increase in that the full effect of several of the measures taken after the merger in September 2010 will be seen in 2011.

The Bank expects profit in the range of DKK 80-100m before translation/market value adjustments, impairment losses and tax.

As earlier mentioned, the risk factors relating to the expectations for 2011 primarily concern the size of impairment losses.

Events having occurred after 31 December 2010

After financial year-end, the government-owned Financial Stability Company acquired Amagerbanken following the latter's bankruptcy.

Max Bank has no credit facilities, shares, etc subject to risk of loss relating to Amagerbanken. As part of its regular trading activities and international payment services, Max Bank has funds deposited in foreign currency accounts etc with Amagerbanken. In addition, the Bank holds a block of Amagerbank bonds in its trading portfolio. We estimate that the Bank risks losing up to DKK 3m on these bonds.

Like all other Danish financial institutions, Max Bank is liable for the losses incurred by the Danish Guarantee Fund for Depositors and Investors in relation to Amagerbanken's bankruptcy. Max Bank's share of the sector's guarantee as provided to the Guarantee Fund for Depositors and Investors is 0.4% according to the latest calculation. Accordingly, the net loss in this respect can be calculated at approx DKK 9.8m.

Ownership

The following shareholders hold more than 5% of Max Bank's share capital:
The Danish Government, The Danish Ministry of Finance, Copenhagen (19.39%)
LFU Holding ApS, Copenhagen (10.25%)

Related party transactions

In 2010, the Bank purchased services from: Dan Andersen, COMING/1: Marketing consulting services and solutions for communicative work etc worth DKK 767k including VAT (2009: DKK 3,030k). A large share of the amount for 2009 is attributable to central invoicing for adverts.

Accounting policies

The accounting policies applied to this annual report are consistent with those applied to the adjusted annual report for 2009. However, they are not consistent with the accounting policies applied to the annual report presented previously by Max Bank, as the consolidated financial statements are presented under IFRS. Please refer to the description under Accounting policies.

Financial calendar

30.03.2011	Annual General Meeting
24.05.2011	Interim Report for Q1 2011
30.08.2011	Interim Report for H1 2011
23.11.2011	Interim Report for Q1-Q3 2011

Financial statements

Endorsements

Statement by Management on the Annual Report

We have today considered and approved the consolidated and parent financial statements of Max Bank A/S for the period 1 January to 31 December 2010, which comprise the management's commentary, income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies of the Group and the Parent. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the Danish Financial Business Act. Further, the annual report has been prepared in accordance with additional Danish disclosure requirements for listed financial companies.

We consider the accounting polices appropriate, and we believe that the consolidated financial statements provide a true and fair view of the Group's and the Parent's financial position and of their financial performance and cash flows for the period 1 January to 31 December 2010. Also, we believe that the management commentary contains fair review of the development in the Group's and the Parent's activities and financial position together with a description of the principal risks and uncertainties that may affect the Group and the Parent. We recommend the annual report for adoption at the Annual General Meeting.

Næstved, 28 February 2011

Executive Board:

Henrik Lund

Henrik Borup Jeppesen

Board of Directors:

Hans Fossing Nielsen, formand

Peter Melchior, næstformand

Dan Andersen

Jan Borre Bjødstrup

Henning Skovlund

Steen Sørensen

Mie Rahbek Hjorth

Preben Pedersen

Per Vesterholm

Independent auditor's report on the consolidated and parent financial statements for 2010

To the shareholders and potential investors of Max Bank A/S

We have audited the consolidated and parent financial statements of Max Bank A/S for the period 1 January to 31 December 2010, which comprise the statement by Management on the annual report, income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies of the Group and the Parent. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for listed financial companies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for the preparation and fair presentation of parent financial statements in accordance with the Danish Financial Business Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on these consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of consolidated financial statements and parent financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 10 and of its financial performance and cash flows for the financial year 1 January to 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies. Also, we believe that the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2010 and of its financial performance and cash flows for the period 1 January to 31 December 2010 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for listed financial companies, and that the management commentary contains a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 28 February 2011
Deloitte Statsautoriseret Revisionsaktieselskab

Henrik Priskorn	Jens Ringbæk
State Authorised Public Accountant	State Authorised Public Accountant

Income statement and statement of comprehensive income

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
3	Interest income	385,951	377,512	387,166	378,761
4	Interest expenses	152,757	189,654	152,941	190,011
	Net interest income	**233,194**	**187,858**	**234,225**	**188,750**
	Dividends from shares etc	683	1,547	683	1,547
5	Fees and commission income	81,774	78,158	81,790	78,158
	Ceded fees and commission expenses	12,893	9,081	12,893	9,081
	Net interest and fee income	**302,758**	**258,482**	**303,805**	**259,374**
6	Translation/market value adjustments	1,240	20,397	1,960	20,397
	Other operating income	42,035	16,896	19,368	1,371
7	Staff costs and administrative expenses	242,293	197,496	214,566	172,614
8	Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment	14,530	17,399	13,283	14,008
	Other operating expenses	20,883	25,681	20,883	25,681
9	Impairment losses relating to loans, advances and receivables, etc.	106,651	110,906	106,651	110,906
10	Profit/loss from investments in associates and group enterprises after tax	571	0	-5,895	-5,230
	Profit/loss from activities being wound up	-2,067	0	-2,067	0
	Loss before tax	**-39,820**	**-55,707**	**-38,212**	**-47,297**
11	Income tax	-11,560	-13,644	-9,952	-10,151
	Loss for the year	**-28,260**	**-42,063**	**-28,260**	**-37,146**
	– of this, minority interests	0	-5,133	0	0
	Statement of comprehensive income:				
	The income statement and statement of comprehensive income are identical.				
	Profit/loss for the year	-28,260	-42,063		
	Comprehensive income	**-28,260**	**-42,063**		
	Distribution of loss for the year				
	Max Bank's shareholders	-28,260	-36,930	-28,260	-37,146
	Minority interests	0	-5,133	0	0
	Total	**-28,260**	**-42,063**	**-28,260**	**-37,146**
	Earnings per share for the year (DKK) (denomination of DKK 100)			29.2	-89.7
	Earnings per share for the year (DKK) (denomination of DKK 100) – diluted			29.2	-89.7

Balance sheet at 31 December

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Assets					
Cash and demand deposits with central banks	324,355	476,621	324,355	476,621	
Receivables from credit institutions and central banks	967,470	176,384	967,470	176,384	12
Loans, advances and other receivables at amortised cost	6,303,714	4,434,856	6,317,263	4,454,083	13
Bonds at fair value	1,211,507	1,325,596	1,211,507	1,325,596	14
Bonds at amortised cost	228,233	230,187	228,233	230,187	15
Shares etc	303,960	180,859	296,738	180,859	16
Investments in associate	22,932	0	22,932	0	39
Investments in group enterprise	0	0	51,788	5,674	39
Intangible assets	4,811	4,811	1,066	916	17
Total land and buildings	70,147	10,929	29,787	3,978	
Investment property	30,316	0	0	0	18
Owner-occupied property	39,831	10,929	29,787	3,978	19
Other property, plant and equipment	42,322	34,659	39,473	31,444	20
Current tax assets	46	0	98	0	
Deferred tax assets	89,599	74,295	84,489	68,810	21
Temporarily held assets	37,345	6,281	37,345	6,281	22
Other assets	174,257	97,041	164,332	83,430	
Prepayments	458	0	458	0	
Total assets	**9,781,156**	**7,052,519**	**9,777,334**	**7,044,263**	
Equity and liabilities					
Payables to credit institutions and central banks	880,993	1,612,759	880,993	1,612,759	23
Deposits and other payables	4,279,437	3,899,478	4,282,620	3,899,503	24
Issued bonds at amortised cost	3,028,894	500,000	3,028,894	500,000	25
Temporarily assumed liabilities	3,548	0	3,548	0	
Other liabilities	219,726	80,982	212,679	74,012	
Deferred income	1,480	49	1,480	49	
Total payables	**8,414,077**	**6,093,268**	**8,410,213**	**6,086,323**	
Provisions for pensions and similar commitments	11,387	13,410	11,387	13,410	
Provisions for losses on guarantees	1,066	20,802	1,066	20,802	
Other provisions	52,260	0	52,260	0	
Total provisions	**64,713**	**34,212**	**64,713**	**34,212**	26
Subordinate debt	830,016	604,072	830,016	604,072	
Total subordinate debt	**830,016**	**604,072**	**830,016**	**604,072**	27
Equity					
Share capital	152,447	41,400	152,447	41,400	
Share premium account	163,077	91,997	163,077	91,997	
Other reserves	0	0	3,019	2,714	
Statutory reserves	0	0	3,019	2,714	
Retained earnings	156,825	187,057	153,848	183,545	
Equity attributable to the Parent's shareholders	**472,349**	**320,454**	**472,391**	**319,656**	
Minority interests	0	513	0	0	
Total equity	**472,349**	**320,967**	**472,391**	**319,656**	
Total equity and liabilities	**9,781,156**	**7,052,519**	**9,777,334**	**7,044,263**	

Statement of changes in equity for 2010

Group

	Share capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Minority interests DKK'000	Total DKK'000
Equity at 1 January 2010	**41,400**	**91,997**	**187,057**	**513**	**320,967**
Loss for the period	0	0	-28,260	0	-28,260
Additions through merger	27,894	57,183	0	0	85,077
Additions through shares issue	83,153	20,788	0	0	103,941
Costs set off at share issue	0	-6,891	0	0	-6,891
Write-off of goodwill acquired by minority shareholders	0	0	-2,551	0	-2,551
Acquisition of treasury shares	0	0	-39,444	0	-39,444
Sale of treasury shares	0	0	38,916	0	38,916
Other adjustments	0	0	1,107	-513	594
Equity at 31 December 2010	**152,447**	**163,077**	**156,825**	**0**	**472,349**

The share capital totals DKK 152.4m and consists of 7,622,313 shares at a nominal value of DKK 20 each.
The Bank's treasury share portfolio consists of 67,956 shares (2009: 68,377 shares), corresponding to 0.9% of the share capital. The shares were acquired as part of ordinary trading.

Having accepted Bank Aid Package II, the Bank is subject to dividend restrictions. The Bank cannot distribute dividend until 1 October 2010 at the earliest, and it may only do so to an extent which can be financed by the Bank's profit after tax, which includes distributable reserves that have been accumulated after 1 October 2010.

There has been no changes in the share capital in the past four financial years.

Statement of changes in equity for 2009	Share capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Minority interests DKK'000	Total DKK'000
Equity at 1 January 2009	**41,400**	**91,997**	**224,142**	**5,646**	**363,185**
Loss for the period	0	0	-36,930	-5,133	-42,063
Acquisition of treasury shares	0	0	-21,732	0	-21,732
Sale of treasury shares	0	0	21,577	0	21,577
Equity at 31 December 2009	**41,400**	**91,997**	**187,057**	**513**	**320,967**

Statement of changes in equity for 2010

Bank

	Share capital DKK'000	Share premium DKK'000	Statutory reserves DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2010	**41,400**	**91,997**	**2,714**	**183,545**	**319,656**
Profit/loss for the period	0	0	305	-28,565	-28,260
Income/expenses for the period recognised directly in equity	0	0	0	0	0
Total income attributable to equity	**0**	**0**	**305**	**-28,565**	**-28,260**
Dividends paid	0	0	0	0	0
Additions through merger	27,894	57,183	0	0	85,077
Additions through shares issue	83,153	20,788	0	0	103,941
Costs set off at share issue	0	-6,891	0	0	-6,891
Write-off of goodwill acquired by minority shareholders	0	0	0	-2,551	-2,551
Acquisition of treasury shares	0	0	0	-39,444	-39,444
Sale of treasury shares	0	0	0	38,916	38,916
Other adjustments	0	0	0	1,947	1,949
Total other changes	**111,047**	**71,080**	**0**	**-1,132**	**180,997**
Equity at 31 December 2010	**152,447**	**163,077**	**3,009**	**153,848**	**472,391**

The share capital totals DKK 152.4m and consists of 7,622,313 shares at a nominal value of DKK 20 each.
The Bank's treasury share portfolio consists of 67,956 shares (2009: 68,377 shares), corresponding to 0.9% of the share capital, The shares were acquired as part of ordinary trading,

Statutory reserves relate to the current operation of the Bank's group enterprises (Nauca A/S and Hovedgaden 50).

Having accepted Bank Aid Package II, the Bank is subject to dividend restrictions. The Bank cannot distribute dividend until 1 October 2010 at the earliest, and it may only do so to an extent which can be financed by the Bank's profit after tax, which includes distributable reserves that have been accumulated after 1 October 2010.

There have been no changes in the share capital in the past four financial years.

Statement of changes in equity for 2009

	Share capital DKK'000	Share premium DKK'000	Statutory reserves DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2009	**41,400**	**91,997**	**2,482**	**221,077**	**356,956**
Profit/loss for the period	0	0	232	-37,378	-37,146
Total income attributable to equity	**0**	**0**	**232**	**-37,378**	**-37,146**
Acquisition of treasury shares	0	0	0	-21,732	-21,732
Sale of treasury shares	0	0	0	21,578	21,578
Total other changes	**0**	**0**	**0**	**-154**	**-154**
Equity at 31 December 2009	**41,400**	**91,997**	**2,714**	**183,545**	**319,656**

Cash flow statement

	Group		Bank	
	2010	2009	2010	2009
	DKK'000	DKK'000	DKK'000	DKK'000
Loss for the year before tax	-39,820	-55,707	-38,212	-47,297
Impairment losses on loans and advances etc	106,651	110,906	106,651	110,906
Received, non-recognised fees	12,040	5,281	12,040	5,281
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment	14,530	17,137	13,283	13,746
Market value adjustments bonds and shares	1,520	-15,599	800	-15,599
Translation/market value adjustment of investments	-571	0	5,895	5,230
Tax paid, net	11,560	13,156	9,952	10,152
Earnings	**105,910**	**75,174**	**110,409**	**82,419**
Increase/decrease in loans and advances	-1,987,549	-341,477	-1,981,871	-354,687
Increase/decrease in deposits	379,959	1,040,777	383,117	1,040,802
Increase/decrease in credit institutions and central banks, net	-1,522,852	-993,280	-1,522,852	-993,280
Increase/decrease in other assets and equity and liabilities [1]	50,136	-1,939	45,946	3,675
Cash flows from operating activities	**-3,080,306**	**-295,920**	**-3,075,660**	**-303,490**
Additions, investments in associate [2]	-22,361	0	-22,361	0
Additions, investments in group enterprise [2]	0	0	-52,580	0
Acquisition etc of property, plant and equipment	-81,547	-12,970	-47,257	-12,645
Acquisition of intangible assets	-2,551	0	-2,701	0
Disposal of property, plant and equipment	136	0	136	0
Cash flows from investing activities	**-106,323**	**-12,970**	**-124,763**	**-12,645**
Increase/decrease in bond and share portfolio	-8,578	127,347	-636	127,347
Increase/decrease in subordinate debt	225,944	79,072	225,944	79,072
Increase/decrease in issued bonds	2,528,894	0	2,528,894	0
Trade in treasury shares	-528	-154	-528	-154
Merger with Skælskør Bank, conversion of shares etc	85,077	0	85,077	0
Share issue	97,050	0	97,050	0
Other adjustments	594	0	1,947	0
Cash flows from financing activities	**2,928,453**	**206,265**	**2,937,748**	**206,265**
Increase/decrease in cash and cash equivalents	**-152,266**	**-27,451**	**-152,266**	**-27,451**
Cash and demand deposits with central banks at 1 January 2010	476,621	504,072	476,621	504,072
Cash and demand deposits with central banks at 31 December 2010	**324,355**	**476,621**	**324,355**	**476,621**

1 Other assets, other liabilities, current and deferred tax assets, current tax assets and liabilities, temporarily held assets, temporarily assumed liabilities, prepayments and deferred income, and provisions for liabilities.

2 Additions in connection with merger.

Notes with reference

Accounting policies

Note

1 **Basis of accounting**

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The parent financial statements are presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Companies etc as well as Danish Accounting Standards.

Furthermore, the financial statements are presented in accordance with additional Danish disclosure requirements for financial statements of listed financial companies.

The additional Danish disclosure requirements for financial statements applicable to the Group are those provided in the Danish Executive Order on IFRS Adoption governing financial businesses, issued pursuant to the Danish Financial Business Act, and those of NASDAQ OMX Copenhagen for financial statements of listed companies as established in the Danish Financial Business Act applicable to the Parent.

The consolidated and parent financial statements are presented in Danish kroner (DKK), which is considered the functional currency in relation to the Group's activities and the functional currency of the Group and the Parent.

The accounting policies for the Parent applied to recognition and measurement are in accordance with the accounting policies described for the Group except for the following:

Investments in group enterprises and associates are measured under the equity method, which implies that investments are measured at the Parent's pro rata share of the subsidiaries' equity value at the balance sheet date.

The accounting policies applied to the consolidated financial statements are described below.

Implementation of new and revised Standards and Interpretations

The annual report for 2010 is presented in accordance with the new and revised Standards (IFRS/IAS) and the new Interpretations applying to financial years beginning on or after 1 January 2010. These Standards and Interpretations include:

- IFRS 3, Business Combinations
- IAS 27, Consolidated and Separate Financial Statements
- IAS 39, Financial Instruments: Recognition and Measurement
- IFRIC 17, Distributions of Non-cash Assets to Owners.

The implementation of the new and revised Standards and Interpretations in the financial statements for 2010 did not result in any changes to the accounting policies.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Bank, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Bank, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost, usually equalling fair value. However, intangible assets and property, plant and equipment are measured at cost at the time of initial recognition. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

All information, risks and losses that arise before the time of presentation of the financial statements and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised as incurred. However, increases in the value of owner-occupied property are recognised in other comprehensive income.

Financial instruments

The purchase and sale of financial instruments is recognised on the trading day, and such recognition ceases when the right to have cash inflow and outflow from the financial asset or liability has expired, or if such right has been transferred, and the Bank has, in all material aspects, transferred all risks and proceeds relating to the right of ownership.

Financial assets and liabilities are recorded on the trading day. At the time of recognition, financial assets are designated as follows:

- Loans, advances and receivables measured at amortised cost
- Held-to-maturity investments measured at amortised cost
- Trading portfolio measured at fair value with value adjustments through profit or loss
- Financial assets recognised at fair value with value adjustments through profit or loss
- Financial assets available for sale

At the time of recognition, financial liabilities are designated to the following four categories:

- Trading portfolio measured at fair value
- Financial liabilities recognised at fair value with value adjustments through profit or loss
- Other financial liabilities measured at amortised cost

Otherwise, assets and liabilities are recognised and measured as described below for each financial statement item.

Determination of fair value
Fair value is the amount at which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction under normal conditions.

The fair value of financial instruments for which an active market exists is determined using the closing price at the balance sheet date or, if no such price exists, at another published price which must be assumed to correspond best to this price.

For financial instruments, for which an active market does not exist, the fair value is determined using generally accepted valuation methods based on observable current market data.

Consolidation
Consolidation is made for all enterprises in which a controlling interest is exercised – irrespective of whether this is based on legal or other factors such as voting share etc. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

The consolidated financial statements are prepared based on the financial statements of Max Bank A/S and group enterprises as stated in note 39. The consolidated financial statements are prepared by combining uniform financial statement items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Investments in group enterprises are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Allowance is made for the tax effect of restatements.

Positive differences (goodwill) between cost of the investment acquired and the fair value of the assets and liabilities acquired are recognised under intangible assets and written down in case of impairment. Negative differences in amount (negative goodwill) are recognised in the income statement as other operating income.

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment or winding-up, inclusive of unwritten-down goodwill and divestment or winding-up expenses.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the closing exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the balance sheet date, are recognised in the income statement as translation adjustments.

Non-monetary assets and liabilities acquired in foreign currencies which are not revalued at fair value are not subjected to value adjustment.

The Bank's functional currency is Danish kroner (DKK). Accordingly, the functional currency is the same as the presentation currency.

Offsetting
The Bank sets off receivables and liabilities where it has a legal right to set off the amounts recognised and intends to net off or realise the asset and settle the liability concurrently.

Intra-group transactions
Intra-group services are settled on market conditions or on a cost recovery basis. Current accounts carry interest at arm's

length. Intra-group trading in securities and other assets is settled at market prices.

Minority interests
On initial recognition, minority interests are either measured at fair value or at their pro rata share of the fair value of the acquirer's identifiable assets, liabilities or contingent liabilities, The choice of method is made for every single transaction. The minority interests are adjusted subsequently for their pro rata share of changes in the subsidiary's equity. Comprehensive income is allocated to minority interests, irrespective of the minority interest becoming negative.

Acquisition of minority interests in a subsidiary and sale of minority interests in a subsidiary, which does not cause control to cease, are accounted for in the consolidated financial statements as an equity transaction, and the difference between the consideration and the carrying amount is allocated to the Parent's share of equity.

INCOME STATEMENT

Interest, fees and commissions
Interest income and interest expenses are recognised in the income statement in the period to which they relate. Commissions and fees that are an integral part of the effective interest rate on a loan or advance are recognised as a portion of amortised cost and therefore as an integral part of the financial instrument (loan or advance) under interest income. Interest income from loans, advances and receivables for which full or partial write-down for impairment has been made is recognised based on amortised cost of the loans and advances written down.

Commissions and fees which are part of a current payment are accrued over the term of the loan. Other fees are recognised in the income statement at the date of transaction. Interest income from loans, advances and receivables for which full or partial write-down for impairment has been made is recognised based on amortised cost of the loans and advances written down.

Dividends from shares etc
Dividends from shares etc comprise dividends and similar income from investments.

Translation/market value adjustments
These adjustments include value adjustments of assets and liabilities measured at fair value. Furthermore, exchange adjustments are included in this item.

Staff costs and administrative expenses
Staff costs and administrative expenses include remuneration to the Executive Board and the Board of Directors as well as staff costs and other administrative expenses.

The Group has entered into defined contribution plans for the majority of its employees, In the defined contribution plans, fixed contributions are paid by the Group to an independent pension fund etc.

Other operating income
Other operating income comprises gains on the divestment of property, plant and equipment, intangible assets, rent, income and negative goodwill.

Other operating expenses
Other operating expenses comprise costs of a secondary nature in relation to the Group's main activities, including losses from the divestment of intangible assets and property, plant and equipment as well as commission under Bank Aid Package I.

Income tax
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net assets.

The Parent is jointly taxed with all Danish enterprises in which a controlling interest is exercised. The current Danish income tax is allocated among the jointly taxed Danish companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

BALANCE SHEET

Cash and demand deposits with central banks
Cash and demand deposits with central banks comprise cash holdings as well as demand deposits with central banks.

The financial statement item is measured at fair value on initial recognition and subsequently at amortised cost.

Receivables from credit institutions and central banks
Receivables from credit institutions and central banks comprise receivables from other credit institutions as well as time deposits with central banks.

The financial statement item is measured at fair value on initial recognition and subsequently at amortised cost.

Loans, advances and receivables
This item consists of loans and advances which have been paid directly to the borrower. Listed loans and loans forming part of a trading portfolio are measured at fair value. Other loans and advances are measured at fair value on initial recognition less front-end fees etc and subsequently at amortised cost using the effective interest method net of write-downs of bad debts that have occurred but not yet been realised.

Write-down for bad debt is made when there is objective evidence of impairment. Write-down is made by the difference between the carrying amount before write-down and the present value of the expected future payments on the loan or advance.

Write-downs for impairment are made on an individual as well as a collective basis. Write-downs for bad debt are made when there is objective evidence of impairment.

For individual write-downs, objective indication is considered to exist when, for example,

- The borrower faces serious financial difficulties
- The borrower fails to perform the contract, for example, by failing on payment of instalments or interest
- Max Bank, for reasons relating to the borrower's financial difficulties, grants the borrower easier terms for the loan that the Bank would not otherwise have considered doing
- It is probable that the borrower will enter into liquidation or be subjected to other financial restructuring

Write-down is made of the difference between the carrying amount before the write-down and the present value of the expected future payments on the loan or advance, including the realisable value of any collateral security. Estimated future payments are calculated based on probability-weighted scenarios (or on the most probable outcome). Loans and advances above DKK 10m are examined individually by the Bank.

Write-downs are assessed individually when objective evidence of impairment exists for the individual loan or advance.

Loans and advances that are assessed individually and are not written down and other loans and advances are assessed on a portfolio basis for collective write-downs.

The collective assessment by the Bank is performed on groups of loans, advances and receivables with similar characteristics as regards credit risk. The Bank has 11 groups containing one group of public authorities, one group of private customers and nine groups of corporate customers, with corporate customers being broken down by sector groups.

The collective assessment is made by applying a segmentation model developed by the Association Lokale Pengeinstitutter, which is responsible for current maintenance and development. The segmentation model determines the correlation of the individual groups between realised losses and a number of significant explanatory macroeconomic variables through a linear regression analysis. The explanatory macroeconomic variables include unemployment, real estate prices, interest rate, number of bankruptcies/compulsory sales, etc.

The macroeconomic segmentation model is basically calculated on the basis of loss data for the entire banking sector. Max Bank has assessed the model estimates and adjusted them.

This assessment has led to an adjustment of the model estimates to own conditions after which the adjusted estimates form the background for the calculation of the collective write-down.

An estimate is produced for each group of loans, advances and receivables that reflects the impairment in percentage terms related to a given group of loans, advances and receivables at the balance sheet date. When comparing with the individual loan's original risk of loss at the time of borrowing and the loan's risk of loss in the beginning of the financial period under review, the individual loan's contribution to the collective write-down results. The write-down is calculated as the difference between the carrying amount and the discounted value of the expected future payments.

Bonds
Bonds which are traded on active markets are measured at fair value on initial recognition. Subsequently, they are measured at fair value, which is calculated based on the closing price used in the market concerned at the balance sheet date. Bonds redeemed are measured at present value.

If the market for one or more bonds is illiquid, or if there is no publicly recognised price, the Bank will determine the fair value by using recognised valuation techniques. These techniques include the use of reference to similar new transactions among independent parties, reference to other similar instruments, analyses of discounted cash flows as well as other models based on observable market data.

Listed bonds are classified as trading portfolio, and market value adjustments are recognised in the income statement.

Held-to-maturity assets
The bond portfolio, reclassified as held-to-maturity, is the Bank's portfolio of the listed F3 Nykredit bond, series 21E 2041, ISIN code DK000976962-2. The portfolio is recognised at amortised cost in the Bank's balance sheet. The Bank has no other bonds at amortised cost.

Shares etc
Shares traded on active markets are measured at fair value. The fair value is calculated on the basis of the closing price at the balance sheet date.

Listed shares are classified as trading portfolio, whereas unlisted shares are classified as financial assets measured at fair value with market value adjustments through profit or loss. Accordingly, market value adjustments are taken to the income statement.

Investments in associates and group enterprises
An associate is an enterprise over which the Group may exercise significant, but not controlling influence. A group enterprise is an enterprise over which the Group may exercise controlling influence.

Investments in group enterprises and associates are recognised and measured using the equity method which entails that investments are measured at the pro rata share of the equity value of the enterprises.

The Bank's share of the enterprises' results after tax after elimination of unrealised intra-group profits and losses, and minus amortisation of and impairment losses relating to goodwill on consolidation is recognised in the Parent's income statement.

Net revaluation of investments in group enterprises is taken to reserve for net revaluation according to the equity method under statutory reserves if the carrying amount exceeds cost. Impairment losses are recognised in and deducted from any positive statutory reserves as long as there is a reserve to set off against.

Goodwill on consolidation is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill on consolidation is accounted for according to the same accounting policies as other goodwill.

Group enterprises are consolidated in the consolidated financial statements, see the description under Consolidation, whereas associates are recognised and measured by the equity method.

Intangible assets
Goodwill acquired from business combinations is measured at cost, and the amount is only adjusted if the recoverable amount is lower than the carrying amount.

Property, plant and equipment
Property, plant and equipment are measured at cost on initial recognition. Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

Owner-occupied property is property which the Bank itself uses for administration, branches or other service operations. Properties which comprise elements of owner-occupied and investment properties are divided proportionately if the relevant elements can be divested separately.

Subsequent to initial recognition, owner-occupied property is measured at a revalued amount. Revaluation is made so often that no significant differences occur in relation to the fair value. The fair value of the property is revalued annually based on value in use calculations for expected future cash flows. The Bank does not use independent valuation experts in calculating revalued amounts.

Increases in the owner-occupied property's revalued amount is recognised in equity as a revaluation reserve through other comprehensive income. Any drop in this amount is recognised in the income statement unless it is a reversal of previously performed revaluations. Depreciation is based on the revalued amount. Owner-occupied property is depreciated over a period of 100 years.

Other property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Straight-line depreciation is made on the basis of an assessment of other assets' expected useful lives, corresponding to 3 to 7 years.

Other property, plant and equipment are tested for impairment when there is any indication of impairment, and they are written down to the recoverable amount which is the higher of net realisable value and value in use.

Temporarily held assets
Temporarily held assets comprise property, plant and equipment acquired in connection with non-performing loans or advances. They are measured at the lower of cost and net realisable value, meaning fair value less expected selling costs. Any value adjustment of temporarily held assets is recognised in the income statement under impairment losses on loans, advances and receivables.

Other assets
Other assets include other assets not included in other asset items. This includes positive fair values of derivative financial instruments, as well as income not falling due for payment until after the end of the financial year, including receivable interest and dividends. Except for any positive fair values of derivative financial instruments, other assets are measured at cost on initial recognition and subsequently at amortised cost.

Financial liabilities
At the time of borrowing, deposits as well as payables to credit institutions etc are recognised at the proceeds received net of transaction costs incurred.

Subsequently, loans and advances as well as payables to credit institutions etc are measured at amortised cost using the effective interest method to the effect that the difference between net proceeds and nominal value is recognised in the income statement under interest income over the loan period.

Issued bonds at amortised cost
Issued bonds are measured at amortised cost. Offsetting is effected for the Bank's own portfolio of own issued bonds.

Other liabilities
This item includes liabilities not recognised in other items under liabilities such as negative market values of spot transactions and derivative financial statements, interest payable and provisions for staff obligations.

Salaries and wages, social security contributions and compensated absences are recognised in the financial year in which the employees have performed the related work. Costs relating to the Group's long-term employee benefits are accrued in proportion to the work performed by the individual employees. Pension contributions are paid into the employees' pension schemes and recognised as an expense in the income statement.

Severance pay is recognised as a liability where the Bank has an obligation to provide severance pay on dismissal, or where the Bank has offered retirement benefit plans to employees.

Deferred income
Deferred income is measured at cost.

Provisions
Liabilities, guarantees and other liabilities, which are uncertain in terms of amount or time of settlement, are recognised as provisions when it is probable that the liability will lead to consumption of the Bank's financial resources, and the liability can be measured reliably. The liability is stated at present value of those costs necessary to meet the liability. Provisions for obligations relating to staff, including jubilees, senior benefits, pensions, etc. are made on a statistical actuarial basis. Liabilities due more than 12 months after the vesting period are discounted.

Provisions for defined benefit plans do not comply with all the requirements of IAS 19, as the Bank considers the amount of benefits under these plans to be insignificant.

However, guarantees are not measured at an amount lower than the commission received for the guarantee accrued over the guarantee period.

Recognition is made of a provision for a guarantee or an irrevocable loan commitment, if it is considered probable that the guarantee or the loan commitment will be loss-making for the Bank, and the size of the liability can be calculated reliably.

Provisions are based on Management's best estimates of the size of the liabilities. When provisions are measured, they are discounted to net present value, if material.

Dividend
Dividend is recognised as a liability at the time of adoption at

the Annual General Meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Treasury shares
Acquisition and selling prices as well as dividend on treasury shares are recognised directly in retained earnings under equity.

Derivative financial instruments
Derivative financial instruments are measured at fair value which is normally based on listed market prices. If the instruments are unlisted, the fair value is calculated using generally accepted principles based on market-based parameters. Derivative financial instruments are recognised under other assets or other liabilities.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability. Other changes are recognised in the income statement as financial income or financial expenses.

Subordinate debt
Subordinate debt is measured at fair value on initial recognition, equal to the consideration received, less incurred directly attributable expenses. Subsequently, subordinate debt is measured at amortised cost applying the effective interest method.

Hybrid core capital
Hybrid core capital is recognised under subordinate debt and measured at fair value on initial recognition and subsequently at amortised cost. Transaction costs incurred relating to the issuance of hybrid core capital is deducted from the initial fair value of the hybrid core capital. Subsequently, transaction costs incurred are amortised over the expected remaining life of the hybrid core capital as an adjustment of the effective interest rate.

In this respect, transaction costs are presented as interest expenses. Amortisation is subject to a five-year time frame.

Segment information
Business is segmented in accordance with the Group's internal reporting, reflecting the risks associated with the individual business areas. The Group covers the Danish market only. Therefore, no geographical segmentation has taken place.

Intersegmental transactions are settled at arm's length. Segment activities and liabilities are operating activities and liabilities applied directly in the operation of the segment and arising from the operation of the segment, and which are directly attributable to the segment.

The Parent's shared costs, other income statement items, other assets and other liabilities as well as intra-group eliminations are included under the Eliminations segment.

Leasing as lessee
Lease payments relating to operating leases are recognised on a straight-line basis in the income statement over the lease term, whereas information about payments due and lease terms is provided under contingent liabilities.

Cash flow statement
The cash flow statement is presented according to the indirect method and shows cash flows from operating, investing and financing activities as well as the Bank's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid. Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities as well as acquisition, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the Bank's share capital, subordinate debt and related costs, acquisition of treasury shares as well as distribution of dividend. Cash and cash equivalents comprise cash and demand deposits with central banks, receivables from credit institutions with original maturity periods of up to three months as well as securities with an original term to maturity of up to three months which may readily be converted into cash and which are only subject to insignificant risks of price changes.

Accounting estimates

Note

Stating the carrying amount of certain assets and liabilities is subject to an estimation of how future events affect the value of such assets and liabilities. The most significant estimates relate to impairment losses on loans, provisions for guarantees, determination of the fair value of unlisted financial instruments as well as provisions.

The estimates are based on assumptions, which are considered reasonable by Management, but which are uncertain. Furthermore, the Bank is subject to risk and uncertainty that may result in deviations of the actual results from the estimates.

The most significant estimates included in the Bank's financial statements are as follows:

- Measurement of exposures and, consequently, the loans, advances and guarantees offered by the Bank
- Calculation of the fair values of financial instruments
- Measurement of goodwill

Measurement of exposures and, consequently, the loans, advances and guarantees offered by the Bank

For impairment losses on loans and receivables, the quantification of the risk that not all future payments are received is subject to significant estimation. Furthermore, it should be noted that collective impairment losses are still subject to some uncertainty as the Bank only has a limited historical data basis to use for its calculations.

In 2010, the Bank realised impairment losses of DKK 106.7m.

Calculation of the fair values of financial instruments

Fair value is the amount at which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction under normal conditions.

The fair value of financial instruments for which an active market exists is determined using the closing price at the balance sheet date or, if no such price exists, another published price which may be assumed to be the best equivalent thereto.

For financial instruments, for which an active market does not exist, the fair value is determined using generally accepted valuation methods based on observable current market data.

For the portion of the Bank's shares which are placed in sector companies, the Bank has recognised positive market value adjustments of DKK 3,775k in 2010 (2009: DKK 1,350k).

Measurement of goodwill 2

Impairment tests are made at least once a year. Impairment testing is based on Management's estimates of future cash flows from defined cash-generating units. The amount of the Bank's goodwill is based on several factors such as Management's estimate of future cash flows, discount rates, real economic developments, customer behaviour and other factors.

The Bank has recognised DKK 1,066k in goodwill relating to AdministratorGruppen AS.

Notes

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
3	**Interest income**				
	Receivables from credit institutions and central banks	6,072	7,919	6,072	7,919
	Loans, advances and other receivables	329,120	305,529	330,335	306,778
	Bonds	49,433	62,774	49,433	62,774
	Total derivative financial instruments	1,037	1,290	1,037	1,290
	of this Foreign exchange contracts	1,246	1,295	1,246	1,295
	Interest rate contracts	-209	-5	-209	-5
	Share contracts	0	0	0	0
	Other interest income	289	0	289	0
	Total interest income	**385,951**	**377,512**	**387,166**	**378,761**
4	**Interest expenses**				
	Credit institutions and central banks	12,274	58,464	12,274	58,464
	Deposits and other payables	58,947	80,046	59,131	80,403
	Bonds issued	42,379	18,855	42,379	18,855
	Subordinate debt	39,153	32,280	39,153	32,280
	Other interest expenses	4	9	4	9
	Total interest expenses	**152,757**	**189,654**	**152,941**	**190,011**
	These include interest expenses from genuine sale and repurchase transactions recognised under credit institutions and central banks.	115	1,323	115	1,323
5	**Fee and commission income**				
	Securities trading and custody accounts	18,549	15,490	18,549	15,490
	Payment management	9,931	9,104	9,931	9,104
	Arrangement fees	7,154	5,505	7,154	5,505
	Guarantee commission	23,983	30,696	23,983	30,696
	Other fees and commissions	22,157	17,363	22,173	17,363
	Total fees and commission income	**81,774**	**78,158**	**81,790**	**78,158**
6	**Translation/market value adjustments**				
	Other loans, advances and receivables at fair value	20	32	20	32
	Bonds [1]	-11,465	18,097	-11,465	18,097
	Shares etc	7,633	-2,499	8,353	-2,499
	Currency [2]	2,513	3,255	2,513	3,255
	Currency contracts, interest-rate contracts, share contracts, commodity and other contracts as well as derivative financial instruments [3]	501	1,512	501	1,512
	Other assets	2,038	0	2,038	0
	Total translation/market value adjustments	**1,240**	**20,397**	**1,960**	**20,397**
	1 Of this, relating to bonds issued	-1,156	0	-1,156	0
	2 Of this, relating to bonds issued	278	0	278	0
	3 Of this, relating to hedge accounting	878	0	878	0

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Staff costs and administrative expenses					7
Salaries and remuneration to:					
Executive Board	3,763	3,484	3,763	3,484	
Board of Directors [1]	1,888	1,390	1,888	1,390	
Governing council/committee of shareholders/local council	79	0	79	0	
Total	**5,730**	**4,874**	**5,730**	**4,874**	
Staff costs					
Salaries and wages [2]	103,809	89,244	92,412	75,572	
Defined pension plans [3]	9,026	11,106	9,026	11,106	
Social security costs	10,269	8,626	10,269	8,626	
Total	**123,104**	**108,976**	**111,707**	**95,304**	
Other administrative expenses	**113,459**	**83,646**	**97,129**	**72,436**	
Total staff costs and administrative expenses	**242,293**	**197,496**	**214,566**	**172,614**	

Pension, term of notice etc relating to the Executive Board
The remuneration determined includes the payment by the Bank of monthly pension contributions. No share incentive programme has been offered to the Executive Board. The employment relationship is terminable by the Bank at 12 months' notice.

If the Executive Officer passes away, for whatever reason, a three-month post-service salary is paid to their spouse, children under 24 years of age or their estate. The employment relationship will discontinue without notice at the end of the month in which the Executive Officer turns 70.

1 This includes consultancy fees of DKK 172k to retiring members of the Board of Directors.
2 This includes provisions for salaries of DKK 1,337k for terminated employees.
3 This includes recognised adjustment of unfunded pension commitments of DKK 2,450k for 2010 including benefits paid (2009: an expense of DKK 1,570k), see note 26. The Bank has no incentive programmes.

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment					8
Depreciation and impairment losses on land and properties	408	223	239	54	
Impairment losses on intangible assets	0	4,833	0	2,878	
Depreciation of machinery and equipment	14,122	12,343	13,044	11,076	
Total amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment	**14,530**	**17,399**	**13,283**	**14,008**	

Notes

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
9	**Impairment losses on loans, advances and other receivables etc**				
	Individual impairment losses:				
	Write-downs during the year	92,211	117,038	92,211	117,038
	Reversal of write-downs performed in previous financial years [1]	-13,205	-10,235	-13,205	-10,235
	Finally lost items not previously written down	25,265	89	25,265	89
	Recovery of claims previously written off	-2,575	-2,042	-2,575	-2,042
	Total individual impairment losses	**101,696**	**104,850**	**101,696**	**104,850**
	Collective impairment losses:				
	Write-downs during the year	4,955	6,056	4,955	6,056
	Total collective impairment losses	**4,955**	**6,056**	**4,955**	**6,056**
	Total impairment losses on loans and advances	**106,651**	**110,906**	**106,651**	**110,906**

1 Including interest on loans and advances written down of DKK 4,817k for 2010 (2009: DKK 2,972k)

Note		Group 2010	Group 2009	Bank 2010	Bank 2009
10	**Profit/loss from investments in associates and group enterprises**				
	Profit/loss from investments in associates	571	0	571	0
	Profit/loss from investments in group enterprises	0	0	-6,466	-5,230
	Total profit/loss from investments in associates and group enterprises	**571**	**0**	**-5,895**	**-5,230**
11	**Income tax**				
	Tax calculated on income for the year	2,297	-77	2,185	-77
	Deferred tax	-7,884	-14,051	-6,164	-10,557
	Adjustment of previous years' estimated tax	-5,973	483	-5,973	483
	Total income tax	**-11,560**	**-13,644**	**-9,952**	**-10,151**
	Applicable tax rate	25.0%	25.0%	25.0%	25.0%
	Permanent differences [1]	4.0%	-0.5%	1.0%	-3.5%
	Effective tax rate	**29.0%**	**24.5%**	**26.0%**	**21.5%**

1 The permanent differences primarily relate to the Bank's fixed assets. On 20 August 2009, Max Bank concluded an agreement with the Danish Government on injection of hybrid core capital. Under this agreement, the Bank is obliged not to deduct more than half of the remuneration to the Executive Board from its tax accounts in the period for which the Government has granted the loan. In 2010, Max Bank deducted DKK 1,961k (2009: DKK 1,831k) in remuneration to the Executive Board.

Note		Group 2010	Group 2009	Bank 2010	Bank 2009
12	**Receivables from credit institutions and central banks**				
	Receivables on notice from central banks	779,988	100,000	779,988	100,000
	Receivables from credit institutions	187,482	76,384	187,482	76,384
	Total receivables from credit institutions and central banks	**967,470**	**176,384**	**967,470**	**176,384**
	By term to maturity:				
	Demand deposits	187,482	76,384	187,482	76,384
	Up to and including 3 months	779,988	100,000	779,988	100,000
	Total receivables from credit institutions and central banks	**967,470**	**176,384**	**967,470**	**176,384**

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Loans, advances and other receivables at amortised cost					13
Loans, advances and guarantee debtors by sector and industry					
Public authorities	**0%**	**0%**	**0%**	**0%**	
Corporate customers					
Agriculture, hunting, forestry and fisheries	7%	6%	7%	6%	
Manufacturing and raw material extraction	1%	1%	1%	1%	
Utilities	2%	3%	2%	3%	
Building and construction	9%	7%	9%	7%	
Trade	5%	4%	5%	4%	
Transport, hotels and restaurants	2%	2%	2%	2%	
Information and communication	1%	0%	1%	0%	
Finance and insurance	12%	14%	12%	14%	
Real estate	25%	26%	25%	26%	
Other industries	4%	3%	4%	3%	
Corporate customers, total	**68%**	**66%**	**68%**	**66%**	
Private customers	**32%**	**34%**	**32%**	**34%**	
Total	**100%**	**100%**	**100%**	**100%**	
Loans and advances by term to maturity					
On demand	1,702,630	1,249,840	1,716,179	1,269,067	
Up to and including 3 months	810,354	633,609	810,354	633,609	
More than 3 months and up to 1 year	848,505	357,257	848,505	357,257	
More than 1 year and up to 5 years	1,289,856	742,372	1,289,856	742,372	
More than 5 years	1,652,369	1,451,778	1,652,369	1,451,778	
Total	**6,303,714**	**4,434,856**	**6,317,263**	**4,454,083**	
Value of loans and advances with objective evidence of impairment					
Loans, advances and receivables before write-down	1,290,893	1,051,588	1,290,893	1,051,588	
Write-downs	461,863	330,012	461,863	330,012	
Loans and advances with objective evidence of impairment recognised in the balance sheet	**829,030**	**721,576**	**829,030**	**721,576**	

The collateral security for loans and advances written down individually has been provided primarily for real estate. The Bank has total loans and advances with objective evidence of impairment of DKK 1,291m. Of this, DKK 462m has been written down, corresponding to a fair value of DKK 829m for the collateral security borrowed against plus repayment ability.

Impairment losses	Individual impairment losses 2010	Group-based impairment losses 2010	Individual impairment losses 2009	Group-based impairment losses 2009
Impairment losses at beginning of the year	654,502	16,649	234,402	4,996
Write-downs etc during the year	92,211	4,955	117,038	6,056
Reversals of prior years' write-downs	-9,233	0	-7,263	0
Impairment losses	-270,579	0	-4,415	0
Other adjustments	-3,972	0	-2,972	0
Impairment losses at year-end	**462,929**	**21,604**	**336,790**	**11,052**

The difference in impairment losses at year-end 2009 and at the beginning of 2010 results from the merger with Skælskør Bank.

Notes

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
14	**Bonds at fair value**				
	Mortgage bonds	1,189,650	1,295,406	1,189,650	1,295,406
	Government bonds	0	-9	0	-9
	Other bonds	21,857	30,199	21,857	30,199
	Total bonds	**1,211,507**	**1,325,596**	**1,211,507**	**1,325,596**
	Bonds at fair value by term to maturity				
	Up to 1 year	371,519	452,258	371,519	452,258
	More than 1 year and up to 5 years	806,947	712,707	806,947	712,707
	More than 1 year and up to 10 years	32,899	160,631	32,899	160,631
	More than 10 years	142	0	142	0
	Total	**1,211,507**	**1,325,596**	**1,211,507**	**1,325,596**
15	**Held-to-maturity assets**				
	The Bank's portfolio of the listed F3 Nykredit bond, series 21E 2041, ISIN code DK000976962-2, has been reclassified as held-to-maturity assets. Due to the liquidity crisis in the market, the Bank intends to hold these bonds to maturity. The Bank has no other bonds at amortised cost. The bond expires in 2041.				
	Amortised cost at year-end, bonds reclassified	228,233	230,187	228,233	230,187
	Fair value at year-end, bonds reclassified	222,250	223,210	222,250	223,210
	Value adjustment at fair value though profit or loss if no reclassification had been made	-960	-1,256	-960	-1,256
	Reclassification was made on 17 December 2008				
	Value adjustment at fair value through profit or loss up until reclassification amounted to a negative DKK 5,413k.				
	Estimated cash flows from the asset at the time of reclassification	393,302	393,302	393,302	393,302
	Effective interest rate	2.56%	2.56%	2.56%	2.56%
	The held-to-maturity asset matures in more than 10 years.				
16	**Shares etc**				
	Shares/unit trust certificates listed on NASDAQ OMX Copenhagen	19,422	23,170	19,422	23,170
	Shares/unit trust certificates listed on other stock exchanges	6,397	4,376	6,397	4,376
	Unlisted shares etc stated at fair value	218,308	117,292	211,086	117,292
	Other assets	59,833	36,021	59,833	36,021
	Total assets etc	**303,960**	**180,859**	**296,738**	**180,859**

Sensitivity analysis of shares

Of the Bank's portfolio of shares, the trading portfolio represents DKK 21m. So a general decrease in the share price by 10% would result in a loss on the trading portfolio of DKK 2.1m.

Notes

	Group		Bank		
	2010 DKK'000	2009 DKK'000	2010 DKK'000	2009 DKK'000	Note
Intangible assets					17
Carrying amount of goodwill, beginning of year	4,811	9,644	916	3,794	
Revaluation of intangible assets	0	0	150	0	
Write-down on intangible assets	0	-4,833	0	-2,878	
Carrying amount of goodwill, end of year	**4,811**	**4,811**	**1,066**	**916**	

Calculation of the recoverable amount of goodwill relating to AdministratorGruppen AS assumes a discount rate of 9.5%. The discount rate is based on a risk-free interest rate of 3.0%, corresponding to the interest rate for a ten-year government bond at the time of presentation of the annual report. The recoverable amount of the cash generating unit at the balance sheet date exceeds the carrying amount by DKK 5,162k. At present, the future Danish interest level rate is subject to uncertainty. A rise in the Danish interest rate level by more than 0.6 percentage points would call for a write-down of the goodwill relating to the cash-generating unit.

	Group 2010	Group 2009	Bank 2010	Bank 2009	Note
Investment property					18
Carrying amount, beginning of year	0	0	0	0	
Additions from the merger, including improvements	30,316	0	0	0	
Disposals for the year	**30,316**	**0**	**0**	**0**	

No external experts were involved in the measurement of the investment property.

	Group 2010	Group 2009	Bank 2010	Bank 2009	Note
Rental income, investment property.	605	0	0	0	
Operating expenses, investment property.	1,087	0	0	0	
Owner-occupied property					19
Carrying amount, beginning of year	10,929	11,153	3,978	4,033	
Additions from the merger, including improvements	29,311	0	26,049	0	
Depreciation	409	224	240	55	
Disposals for the year	**39,831**	**10,929**	**29,787**	**3,978**	

No external experts were involved in the measurement of owner-occupied property.

	Group 2010	Group 2009	Bank 2010	Bank 2009	Note
Other property, plant and equipment					20
Total cost, beginning of year	101,039	99,136	91,729	90,150	
Additions	21,686	13,021	20,974	12,645	
Disposals	10,016	11,118	10,016	11,066	
Total cost, end of year	**112,709**	**101,039**	**102,687**	**91,729**	
Depreciation and impairment losses, beginning of year	66,380	65,364	60,285	60,537	
Depreciation for the year	13,887	12,081	12,809	10,814	
Reversed depreciation and write-downs	9,880	11,065	9,880	11,066	
Depreciation and write-downs, end of year	**70,387**	**66,380**	**63,214**	**60,285**	
Carrying amount of property, plant and equipment at year-end [1]	**42,322**	**34,659**	**39,473**	**31,444**	
Gross carrying amount of assets fully depreciated	53,281	33,825	51,334	31,878	

1 DKK 14,778 of the items recorded for 2010 is attributable to the merger.

Notes

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
21	**Deferred tax assets and liabilities**				
	Deferred tax, beginning of year	74,295	60,195	68,810	58,177
	Change in deferred tax	-13,587	3,473	-11,090	3,500
	Tax loss	28,891	10,627	26,769	7,133
	Deferred tax at year-end	**89,599**	**74,295**	**84,489**	**68,810**
	Intangible assets	4	500	4	11
	Property, plant and equipment	5,970	3,037	2,982	3,037
	Loans and advances	1,624	1,320	1,624	1,320
	Employee obligations	2,615	3,353	2,615	3,353
	Other	-2,650	5,085	-2,650	5,085
	Tax loss	82,036	61,000	79,914	56,004
	Total	**89,599**	**74,295**	**84,489**	**68,810**

The measurement of the deferred tax asset is based on the expectation that positive income will be generated within the foreseeable future to be set off against the tax loss carryforward.

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
22	**Temporarily held assets**				
	Temporarily held assets	37,345	6,281	37,345	6,281
	Loss/profit from sale	-2,067	0	-2,067	0

Temporarily held assets comprise properties acquired in connection with non-performing loans. Active efforts are made to dispose of these properties within a 12-month period.

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
23	**Payables to credit institutions and central banks**				
	By term to maturity:				
	On demand	314,506	404,231	314,506	404,231
	Up to and including 3 months	101,906	366,000	101,906	366,000
	More than 3 months and up to 1 year	9,498	388,128	9,498	388,128
	More than 1 year and up to 5 years	455,083	454,400	455,083	454,400
	More than 5 years	0	0	0	0
	Total payables to credit institutions and central banks	**880,993**	**1,612,759**	**880,993**	**1,612,759**
24	**Deposits and other payables**				
	On demand	2,379,122	1,536,099	2,382,305	1,536,124
	Subject to notice	64,123	71,817	64,123	71,817
	Time deposits	1,379,520	2,007,676	1,379,520	2,007,676
	Special types of deposits	456,672	283,886	456,672	283,886
	Total deposits	**4,279,437**	**3,899,478**	**4,282,620**	**3,899,503**
	By term to maturity:				
	On demand	2,478,877	1,616,323	2,482,060	1,616,348
	Up to and including 3 months	512,958	1,702,963	512,958	1,702,963
	More than 3 months and up to 1 year	376,816	356,267	376,816	356,267
	More than 1 year and up to 5 years	679,647	66,297	679,647	66,297
	More than 5 years	231,139	157,628	231,139	157,628
	Total deposits	**4,279,437**	**3,899,478**	**4,282,620**	**3,899,503**

Notes

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Issued bonds at amortised cost					25
By term to maturity:					
More than 3 months and up to 1 year	0	300,000	0	300,000	
More than 1 year and up to 5 years	3,028,894	200,000	3,028,894	200,000	
Total issued bonds measured at amortised cost	**3,028,894**	**500,000**	**3,028,894**	**500,000**	
Provisions					26
Defined benefit plans	11,387	13,410	11,387	13,410	
Provision for guarantees	1,066	20,802	1,066	20,802	
Other provisions	52,260	0	52,260	0	
Total	**64,713**	**34,212**	**64,713**	**34,212**	

Changes in the Group's and the Bank's provisions	Other provisions	Provisions for losses on guarantees	Defined benefit plans	Total provisions
Carrying amount, beginning of 2010	0	20,802	13,410	34,212
Additions	52,260	15,075	427	67,762
Disposal by expenditure	0	34,709	750	35,459
Disposal, non-expenditure	0	102	1,700	1,802
Carrying amount at year-end 2010	**52,260**	**1,066**	**11,387**	**64,713**
Carrying amount, beginning of 2009	0	4,133	11,840	15,973
Additions	0	16,710	2,292	19,002
Disposal by expenditure	0	0	722	722
Disposal, non-expenditure	0	41	0	41
Carrying amount at year-end 2009	**0**	**20,802**	**13,410**	**34,212**

The discount effect of the pension commitment was calculated at DKK 3,475k (2009: DKK 724k). For the defined benefit plans, disposals by expenditure correspond to the benefits paid. The Bank's defined pension plans are unfunded. Expected to be repaid over a period of 15 to 20 years.

Provision for guarantees was made based on the Bank's share of the negative balance which was calculated by the Financial Stability Company.

Other provisions primarily consist of the Bank's account with the Financial Stability Company. The commitment of DKK 51,256k will be paid in mid-February 2011.

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Subordinate debt					27
Subordinate loan capital	449,544	300,000	449,544	300,000	
Hybrid core capital	380,472	304,072	380,472	304,072	
Total subordinate debt	**830,016**	**604,072**	**830,016**	**604,072**	

Subordinate debt includes 11 loans totalling DKK 830,016k

Note

Capital securities, state hybrid core capital, DKK 204,072k
The term of the loan is indefinite with an option of early repayment. The loan was disbursed on 24 August 2009 and carries interest at the nominal rate of 10.89%, corresponding to an annual effective interest rate of 11.19%. The aggregate loan is split up, entailing that DKK 116.6m carries no conversion possibility, whereas DKK 87.5m carries the possibility of mandatory conversion into shares in the Bank if it fails to meet the solvency requirement. The Government and Max Bank have also concluded an agreement on optional voluntary conversion of capital securities into shares. The option applies to the entire loan of DKK 204.1m and entails an interest surcharge of 0.5% per annum (effective interest rate). The conversion possibility expires in 2014.

Capital securities, state hybrid core capital, DKK 24,900k
The term of the loan is indefinite with an option of early repayment. The loan was disbursed on 22 December 2009 and carries interest at the nominal rate of 11.51% per year. An agreement has been made for optional voluntary conversion of capital securities into shares. The conversion possibility expires in 2014.

Capital securities, hybrid core capital, DKK 100,000k
The capital securities have an infinite maturity period with the possibility of early repayment on 1 May 2016. The capital securities carry a floating interest rate from 28 March 2006 to 1 May 2016 of three months' Cibor + 1.85%. From 1 May 2016, the capital securities carry a floating interest rate of three months' Cibor + 2.85%.

Capital securities, hybrid core capital, DKK 51,500k
The term of the loan is indefinite with an option of early repayment. The loan was disbursed on 8 December 2009 and carries interest at the nominal rate of 12.00% per year.

Bullet bond loan, DKK 100,000k
Bullet bond loan in Danish kroner maturing in September 2014. The loan may be repaid early in September 2011 and carries a floating interest rate of six months' Cibor + 1.20%. If the loan is not repaid in September 2011, the loan will carry a floating interest rate of six months' Cibor + 2.70 % until expiry.

Bullet loan, DKK 100,000k
Bullet bond loan in Danish kroner maturing in September 2015. The loan may be repaid early in May 2012. The loan carries a floating interest rate from 1 May 2007 to 1 May 2012 of three months' Cibor + 1.15%. If the loan is not repaid early on 1 May 2012, the loan will carry a floating interest rate of three months' Cibor + 2.65% until expiry.

Bullet loan in EUR, 74,544k
Bullet loan in EUR maturing on 30 October 2015. The loan may be repaid early from October 2010. The loan carries interest from 31 October 2005 to 30 October 2010 at six months' euribor + 1.35%. As the loan was not repaid early on 30 October 2010, it will carry a floating interest rate of 6 months' euribor + 2.85% until expiry.

Bullet loan, DKK 50,000k
Bullet bond loan in Danish kroner maturing in December 2015. The loan may be repaid early in December 2012. The loan carries a floating interest rate from 3 December 2007 to 3 December 2012 of three months' Cibor + 1.20%. If the loan is not repaid early on 3 December 2012, the loan will carry a floating interest rate of three months' Cibor + 2.70% until expiry.

Bullet loan, DKK 50,000k
Bullet loan in Danish kroner maturing on 15 May 2015. The loan may be repaid early in May 2012. The loan carries interest from 01 May 2007 to 01 May 2012 of Cibor + 1.15%. If the loan is not repaid early on 1 May 2012, the loan will carry a floating interest rate of six months' Cibor + 2.65% until expiry.

Bullet loan, DKK 50,000k
Bullet loan in Danish kroner maturing on 3 December 2015. The loan may be repaid early in December 2012. The loan carries interest from 3 December 2007 to 3 December 2012 of Cibor + 1.20%. If the loan is not repaid early on 3 December 2012, the loan will carry a floating interest rate of six months' Cibor + 2.70% until expiry.

Bullet loan, DKK 25,000k
Bullet loan in Danish kroner maturing on 15 November 2014. The loan may be repaid early in November 2011. The loan carries interest from 16 November 2006 to 15 November 2011 of Cibor + 1.25%. If the loan is not repaid early on 15 November 2011, the loan will carry a floating interest rate of six months' Cibor + 2.75% until expiry.

All 11 loans totalling DKK 830,016k are included at their full amount when determining the capital base. During H1 2010, Max Bank repaid a loan of DKK 50m early (subordinate debt). Cost totalling DKK 0k were incurred in raising and paying subordinated debt in 2010. (2009: DKK 1,912k of which DKK 140k was recognised in the income statement).

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Guarantees etc					28
Financing guarantees	663,034	311,420	663,034	311,420	
Loss guarantees for mortgage loans	436,715	363,639	436,715	363,639	
Registration and conversion guarantees	57,523	215,123	57,523	215,123	
Other guarantees	285,870	215,853	285,870	215,853	
Total guarantees etc	**1,443,142**	**1,106,035**	**1,443,142**	**1,106,035**	
Other contingent liabilities					
Other obligations	9,533	46,662	9,533	46,662	
Total other contingent liabilities	**9,533**	**46,662**	**9,533**	**46,662**	

Please also refer to note 40 as regards other commitments and provisions of collateral security etc.

Rental commitments 29

The Max Bank Group has rental commitments on 17 leases which may be terminated no earlier than 28 February 2011, 1 March 2011, 31 March 2011, 31 March 2011, 30 June 2011, 1 July 2011, 1 July 2011, 1 July 2011, 1 October 2011, 1 May 2012, 31 July 2012, 31 December 2013, 1 November 2014, 31 December 2014, 1 April 2015, 1 March 2019 and 1 December 2020.

The annual rent on the leases comes to DKK 18,373k, corresponding to the cost recognised in the income statement for 2010.

Rental commitments by maturity at 31 December 2010:	Group 2010 DKK'000	Group 2009 DKK'000
Up to and including 1 year	1,798	787
More than 1 year and up to 5 years	7,994	7,626
More than 5 years	77,630	61,694
Total	**87,422**	**70,107**

Note

30 **Derivative financial instruments**

Group

By term to maturity

	2010				2010			
	<= 3 months		> 3 months but <= 1 year		>1 year but <=5 years		> 5 years	
	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000
Foreign exchange contracts								
Forwards/futures, acquisition	247,851	5,794	1,283	144	0	0	0	0
Forwards/futures, sale	652,989	-12,718	825	-159	0	0	0	0
Currency swaps	328,454	0	506,910	1	105,986	-11	29,174	0
Interest-rate contracts								
Forwards/futures, acquisition	9,449	79	0	0	0	0	0	0
Forwards/futures, sale	9,449	-59	0	0	0	0	0	0
Interest-rate swaps	52,196	0	27,046	431	3,240	-123	396,619	-93

	2009				2009			
	<= 3 months		> 3 months but <= 1 year		>1 year but <=5 years		> 5 years	
	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000
Foreign exchange contracts								
Forwards/futures, acquisition	166,739	-3,751	1,527	-74	0	0	0	0
Forwards/futures, sale	587,472	731	1,968	60	0	0	0	0
Currency swaps	0	0	14,383	1	41,615	97	0	0
Interest-rate contracts								
Forwards/futures, acquisition	11,944	30	0	0	0	0	0	0
Forwards/futures, sale	11,124	-4	0	0	0	0	0	0
Interest-rate swaps	0	0	4,260	-22	58,078	-166	44,371	-78

Notes

Derivative financial instruments

Group

	2010 Total		2009 Total		2010 Market value		2009 Market value	
	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Positive DKK'000	Negative DKK'000	Positive DKK'000	Negative DKK'000
Foreign exchange contracts								
Forwards/futures, acquisition	249,134	5,938	168,267	-3,825	1,542	1,296	2,783	6,609
Forwards/futures, sale	653,814	-12,877	589,440	791	1,293	8,478	6,889	6,098
Currency swaps	970,524	-10	55,998	97	64,292	63,424	3,094	3,276
Interest-rate contracts								
Forwards/futures, acquisition	9,449	79	11,944	30	111	31	35	5
Forwards/futures, sale	9,449	-59	11,124	-4	45	104	19	23
Interest-rate swaps	479,101	215	106,710	-266	38,075	38,739	8,470	8,729
Total net market value		**-6,714**		**-3,177**	**105,358**	**112,072**	**21,290**	**24,740**

	2010 Average market value*)		2009 Average market value*)	
	Positive	Negative	Positive	Negative
Foreign exchange contracts				
Forwards/futures, acquisition	6,715	2,931	3,121	14,973
Forwards/futures, sale	3,036	2,354	13,348	6,491
Currency swaps	52,743	52,729	2,329	2,280
Interest-rate contracts				
Forwards/futures, acquisition	132	2	198	15
Forwards/futures, sale	13	9	25	153
Interest-rate swaps	44,544	44,767	8,464	8,712
Total net market value	**107,183**	**102,792**	**27,485**	**32,624**

*) Average market value is calculated as the average of four quarters.

Pending spot transactions

	2010			
	Nominal value – DKK	Pos. market value	Net market value	Net market value
Currency transactions, purchase	591	0	2	-2
Currency transactions, sale	3,691	18	0	18
Interest rate transactions, purchase	34,585	47	16	31
Interest rate transactions, sale	34,729	16	30	-14
Share transactions, purchase	7,234	24	76	-51
Share transactions, sale	7,475	76	28	48
Total 2010	**88,305**	**181**	**152**	**30**
Total 2009	45,032	309	301	8

Notes

Note

30 **Derivative financial instruments**

Bank

By term to maturity

	2010				2010			
	<= 3 months		> 3 months but <= 1 year		>1 year but <=5 years		> 5 years	
	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000
Foreign exchange contracts								
Forwards/futures, acquisition	247,851	5,794	1,283	144	0	0	0	0
Forwards/futures, sale	652,989	-12,718	825	-159	0	0	0	0
Currency swaps	328,454	0	506,910	1	105,986	-11	29,174	0
Interest-rate contracts								
Forwards/futures, acquisition	9,449	79	0	0	0	0	0	0
Forwards/futures, sale	9,449	-59	0	0	0	0	0	0
Interest-rate swaps	52,196	0	27,046	431	3,240	-123	396,619	-93

	2009				2009			
	<= 3 months		> 3 months but <= 1 year		>1 year but <=5 years		> 5 years	
	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000
Foreign exchange contracts								
Forwards/futures, acquisition	166,739	-3,751	1,527	-74	0	0	0	0
Forwards/futures, sale	587,472	731	1,968	60	0	0	0	0
Currency swaps	0	0	14,383	1	41,615	97	0	0
Interest-rate contracts								
Forwards/futures, acquisition	11,944	30	0	0	0	0	0	0
Forwards/futures, sale	11,124	-4	0	0	0	0	0	0
Interest-rate swaps	0	0	4,260	-22	58,078	-166	44,371	-78

Note

Derivative financial instruments

Bank

	2010 Total		2009 Total		2010 Market value		2009 Market value	
	Nominal value DKK'000	Net market value DKK'000	Nominal value DKK'000	Net market value DKK'000	Positive DKK'000	Negative DKK'000	Positive DKK'000	Negative DKK'000
Foreign exchange contracts								
Forwards/futures, acquisition	249,134	5,938	168,267	-3,825	1,542	1,296	2,783	6,609
Forwards/futures, sale	653,814	-12,877	589,440	791	1,293	8,478	6,889	6,098
Currency swaps	970,524	-10	55,998	97	64,292	63,424	3,094	3,276
Interest-rate contracts								
Forwards/futures, acquisition	9,449	79	11,944	30	111	31	35	5
Forwards/futures, sale	9,449	-59	11,124	-4	45	104	19	23
Interest-rate swaps	479,101	215	106,710	-266	38,075	38,739	8,470	8,729
Total net market value		**-6,714**		**-3,177**	**105,358**	**112,072**	**21,290**	**24,740**

	2010 Average market value*)		2009 Average market value*)	
	Positive	Negative	Positive	Negative
Foreign exchange contracts				
Forwards/futures, acquisition	6,715	2,931	3,121	14,973
Forwards/futures, sale	3,036	2,354	13,348	6,491
Currency swaps	52,743	52,729	2,329	2,280
Interest-rate contracts				
Forwards/futures, acquisition	132	2	198	15
Forwards/futures, sale	13	9	25	153
Interest-rate swaps	44,544	44,767	8,464	8,712
Total net market value	**107,183**	**102,792**	**27,485**	**32,624**

*) Average market value is calculated as the average of four quarters.

Pending spot transactions

	2010			
	Nominal value – DKK	Pos. market value	Net market value	Net market value
Currency transactions, purchase	591	0	2	-2
Currency transactions, sale	3,691	18	0	18
Interest rate transactions, purchase	34,585	47	16	31
Interest rate transactions, sale	34,729	16	30	-14
Share transactions, purchase	7,234	24	76	-51
Share transactions, sale	7,475	76	28	48
Total 2010	**88,305**	**181**	**152**	**30**
Total 2009	45,032	309	301	8

Notes

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
31	**Currency exposure**				
	Breakdown of currencies by primary currency				
	USD	845	453	845	453
	GBP	462	222	462	222
	SEK	1,430	1,890	1,430	1,890
	NOK	472	478	472	478
	CHF	770	2,773	770	2,773
	CAD	122	179	122	179
	JPY	86	146	86	146
	EUR	2,112	11,602	2,112	11,602
	Total assets denominated in foreign currencies	995,338	1,110,131	995,338	1,110,131
	Total liabilities denominated in foreign currencies	1,523,955	682,241	1,523,955	682,241
	Exchange rate indicator 1	6,613	18,203	6,613	18,203
	Exchange rate indicator 1 as a percentage of core capital net of deductions	0.9%	3.8%	0.9%	3.6%
	Sensitivity analysis, currency				
	In the event of a general 10% change in foreign currency rates or a 2.25% change in euro rates, exchange rate indicator 1 will increase by	498	921	498	921
32	**Capital adequacy requirements[1]**				
	Core capital	500,609	363,029	500,653	356,802
	Profit/loss for the year	-28,260	-42,063	-28,260	-37,146
	Intangible assets	-4,811	-4,811	-1,066	0
	Tax assets	-89,599	-74,295	-84,489	-68,810
	Hybrid core capital	377,941	241,861	380,472	250,846
	Other deductions	-22,620	-5,211	-22,176	-4,763
	Core capital net of deductions	**733,262**	**478,510**	**745,134**	**496,929**
	Additional capital	449,544	300,000	449,544	300,000
	Hybrid capital	2,531	62,211	0	53,226
	Deductions in capital base	-22,620	-5,212	-22,176	-4,763
	Capital base net of deductions	**1,162,717**	**835,509**	**1,172,502**	**845,392**
	Capital adequacy requirements in accordance with section 124(1) of the Financial Business Act.	**626,857**	**431,415**	**626,956**	**431,415**
	Core capital	500,609	363,029	500,653	356,802
	Profit/loss for the year	-28,260	-42,063	-28,260	-37,146
	Equity	472,349	320,967	472,391	319,656
	Weighted items outside the trading portfolio	7,637,941	5,029,031	7,639,177	5,029,031
	Weighted items subject to a market risk etc	197,777	363,656	197,777	363,656
	Total weighted items	**7,835,718**	**5,392,687**	**7,836,954**	**5,392,687**
	Core capital net of deductions as a percentage of total weighted items	9.4%	8.8%	9.5%	9.2%
	Solvency ratio pursuant to section 124(1) or section 125(1) of the Danish Financial Business Act	**14.8%**	**15.4%**	**15.0%**	**15.6%**
	Individually calculated solvency need, unaudited	10.8%	9.2%	10.8%	9.2%

1 Calculated pursuant to the FSA's Executive Order on Capital Adequacy.

	Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000	Note
Executive Board and Board of Directors					33
The amount of loans and advances, mortgages or guarantees as well as related collateral security provided exclusive of relating parties					
Loans and advances etc					
Executive Board	1,156	1,475	1,156	1,475	
Board of Directors	3,294	2,963	3,294	2,963	
Collateral security					
Executive Board	0	0	0	0	
Board of Directors	325	450	325	450	

During 2010, loans and advances to members of the Executive Board and Board of Directors have carried interest in the range of 2.0% to 8.7%.

Shares in Max Bank held by members of the Board of Directors and changes in 2010	**stk,**	**ændring**
Hans Fossing Nielsen	18,800	10,885
Peter Melchior	2,193	2,193
Dan Andersen	14,773	8,058
Jan Borre Bjødstrup	10	10
Steen Sørensen	6,567	5,652
Henning Skovlund	79	79
Per Vesterholm	281	281
Mie Rahbek Hjorth	701	563
Preben Pedersen	750	750

Related parties 34

The Bank's related parties include the Bank's Executive Board, directors and the enterprises in which the directors perform management functions, as well as the Bank's group enterprises. Aside from the bank-related accounts, a number of the directors' enterprises render services to the Bank within their respective competency areas.

In 2010, the Bank purchased services from: Dan Andersen, COMING/1: Marketing consulting services and solutions for communicative work etc worth DKK 767k including VAT (2009: DKK 3,030k). A large share of the amount for 2009 is attributable to central invoicing for adverts.

Please also refer to note 7 as regards salaries to and remuneration of the Board of Directors.

The transactions with group enterprises are primarily in the nature of rental of property and related exposure, and to a lesser degree consultancy fees. At 31 December 2010, Max Bank's receivables from group enterprises totalled DKK 15.0m. At 31 December 2009, they totalled DKK 19.2m. In 2010, the effects on results from Max Bank's accounts with group enterprises came to DKK 1.0m. In 2009, it came to DKK 0.9m. The effects on results influence the parent financial statements only.

At 31 December 2010, Max Bank's receivables from associates amounted to DKK 74m (2009: DKK 0k). This amount includes loans and advances worth DKK 38.4m and financial instruments (swaps) worth DKK 35.6m. In 2010, the effects on results from Max Bank's accounts with associates came to DKK 500k (2009: DKK 0k.)

All services were settled at arm's length.

Notes

Note		Group 2010 DKK'000	Group 2009 DKK'000	Bank 2010 DKK'000	Bank 2009 DKK'000
35	**Audit fee**				
	Total fees for the auditors appointed by the General Meeting to perform the statutory audit	6,140	3,029	5,773	2,936
	Of this, non-audit services	5,040	1,959	4,873	2,111
	An internal audit function has been established.				
36	**Headcount**				
	Average number of employees in the financial year converted into full-time employees	296	211	273	179
37	**Disclosures on pooled pension schemes**				
	The Bank has no pooled pension schemes.				
38	**Assets acquired and sold as part of genuine sale and repurchase transactions**				
	The liability items below include the following genuine sale and repurchase transactions:				
	Payables to credit institutions and central banks	0	0	0	0
	Assets sold as part of genuine sale and repurchase transactions:				
	Bonds at fair value	0	0	0	0
39	**Investments in associates and group enterprises at 31 December 2010**				
	Investments in associates				
	Total acquisition price, beginning of year	0	0	0	0
	Additions	22,506	0	22,506	0
	Disposals	145	0	145	0
	Total acquisition price at year-end	22,361	0	22,361	0
	Revaluation and impairment losses, beginning of year	0	0	0	0
	Revaluation and impairment losses for the year	571	0	571	0
	Revaluation and impairment losses at year-end	571	0	571	0
	Carrying amount of property, plant and equity at year-end	**22,932**	**0**	**22,932**	**0**
	Investments in group enterprises				
	Total acquisition price, beginning of year			16,564	16,564
	Additions			59,003	0
	Disposals			0	0
	Total acquisition price at year-end			75,567	16,564
	Revaluation and impairment losses, beginning of year			-10,890	-1,866
	Profit/loss			-6,466	-5,230
	Other movements in capital			-6,423	-3,794
	Revaluation and impairment losses at year-end			-23,779	-10,890
	Carrying amount of investments, at year-end			**51,788**	**5,674**

Notes

	Balance sheet total DKK'000	Equity DKK'000	Revenue DKK'000	Profit/loss after tax DKK'000	Note
Group enterprises					
The Bank holds the entire share capital of AdministratorGruppen AS, Nauca A/S, Nor Fjor Finans A/S, Hovedgaden 50, Dalmose A/S and Skælskør Bolig A/S in liquidation.					
AdministratorGruppen AS, Næstved *Property administration*	21,914	5,415	22,060	-5,622	
Nauca A/S, Næstved *Rental of real estate*	6,782	6,061	636	264	
Nor Fjor Finans A/S, Skælskør *Purchase, sale and administration of securities and real estate*	39,044	32,958	-726	-1,149	
Hovedgaden 50, Dalmose A/S, Skælskør *Rental of real estate*	5,908	6,022	87	41	
Skælskør Bolig A/S in liquidation, Skælskør	1,352	1,332	0	0	
AdministratorGruppen AS fully owns three small subsidiaries					
AdministratorGruppen Leasing ApS, Næstved *Activities related to financial leases*	1,106	111	322	-14	
AdministratorGruppen Leasing II ApS, Næstved *Rental of software*	933	638	396	163	
AdministratorGruppen Invest ApS, Næstved *Rental of computer and IT equipment etc.*	2,656	160	547	-123	
Associates					
Selskabet af 23. april 2008, Sorø *Estate agent, 49% equity interest*	153	-2,723	-298	-354	
Ejendomsselskabet Odense - Slagelse - Aabenraa A/S, Odense *Rental of property, 43.4% equity interest*	289,575	49,248	8,684	1,315	
Surfray 2009 A/S, Herlev *IT, 24% equity interest*	5,318	-1,371	1,640	-1,871	

Other liabilities and collateral security etc 40

The Bank is jointly taxed with all wholly-owned subsidiaries.
BEC (The Banks' Computer Centre) supplies IT systems in support of Max Bank's full service concept, both relative to customers and administration. The Bank may terminate the co-operation at 5 years' notice to the end of a financial year. If the Bank stops using BEC's systems at the same time, the Bank will be required to pay an amount corresponding to 2½ years' revenue in exit compensation. Like other Danish financial institutions, Max Bank is liable for the losses incurred by the Danish Guarantee Fund for Depositors and Investors. Max Bank's share of the sector's guarantee as provided to the Guarantee Fund for Depositors and Investors is 0.4% according to the latest calculation. The Bank has no other liabilities.

Ownership 41

The Danish Government represented by the Danish Ministry of Finance owns 19.39% of the Company's share capital.
LFU Holding ApS, Copenhagen owns 10.25% of the Company's share capital.

Note

42 **Fair value of financial instruments**

The carrying amounts of financial assets and liabilities are essentially equivalent to fair value.

In the balance sheet, financial instruments are measured at fair value or amortised cost, see accounting policies.

Fair value is the amount at which a financial asset may be traded, or the amount at which a financial liability may be repaid, among independent parties.

The majority of the Bank's assets and liabilities measured at fair value were measured on the basis of official, quoted prices or market prices at the balance sheet date. No market price exists for certain financial assets and liabilities in an active market. Instead, estimated values are arrived at by means of generally accepted calculation and valuation models such as discounted cash flow and option models.

For financial instruments measured at amortised cost, the following form the basis of the calculation of fair value:

- The carrying amounts of loans, advances and receivables as well as other financial liabilities falling due within 12 months are also considered to be the fair value thereof.
- The carrying amounts of loans, advances and receivables as well as other financial liabilities measured at amortised cost which carry interest at a floating rate and were incurred on normal credit terms are deemed to be equivalent to the fair value thereof.
- The fair values of fixed-interest assets and financial liabilities measured at amortised cost are determined using accepted valuation methods.
- The credit risk associated with fixed-interest financial assets (loans and advances etc) is assessed together with the risks involved in other loans, advances and receivables.
- The fair values of deposits and other payables for which no term to maturity has been fixed are considered to be the amounts which may be paid at the balance sheet date.
- Issued bonds are measured at amortised cost. This carrying amount is considered to be the value thereof as the bonds carry interest at a floating rate and have a short term to maturity.
- The difference between the carrying amounts and fair values not recognised in the income statement which may be attributable to the difference between amortised cost and calculated fair value is shown below.

Group	**Recognised value** 2010 DKK'000	**Fair value** 2010 DKK'000	**Recognised value** 2009 DKK'000	**Fair value** 2009 DKK'000
Financial assets				
Cash and demand deposits	324,355	324,355	476,621	476,621
Receivables from credit institutions and central banks	967,470	967,470	176,384	176,384
Loans, advances and other receivables at amortised cost	6,303,714	6,211,287	4,434,856	4,440,136
Bonds at fair value	1,211,507	1,211,507	1,325,596	1,325,596
Bonds at amortised cost	228,233	222,250	230,187	223,210
Shares etc	303,960	303,960	180,859	180,859
Derivative financial instruments	105,358	105,358	21,290	21,290
Total	**9,444,597**	**9,476,654**	**6,845,793**	**6,844,096**
Financial liabilities				
Payables to credit institutions and central banks	880,993	880,993	1,612,759	1,612,759
Deposits and other payables	4,279,437	4,279,437	3,899,478	3,899,478
Issued bonds at amortised cost	3,028,894	3,032,833	500,000	500,000
Subordinate debt	830,016	694,977	604,072	553,571
Derivative financial instruments	112,072	112,072	24,740	24,740
Total	**9,131,412**	**9,000,312**	**6,641,049**	**6,590,548**

The item Other assets (DKK 174,260k) includes derivative financial instruments worth DKK 105,358k.
The item Other liabilities (DKK 219,726k) includes derivative financial instruments worth DKK 112,072k.

Bank	Recognised value 2010 DKK'000	Fair value 2010 DKK'000	Recognised value 2009 DKK'000	Fair value 2009 DKK'000	Note
Financial assets					
Cash and demand deposits	324,355	324,355	476,621	476,621	
Receivables from credit institutions and central banks	967,470	967,470	176,384	176,384	
Loans, advances and other receivables at amortised cost	6,317,263	6,224,836	4,454,083	4,459,363	
Bonds at fair value	1,211,507	1,211,507	1,325,596	1,325,596	
Bonds at amortised cost	228,223	222,250	230,187	223,210	
Shares etc	296,738	296,738	180,859	180,859	
Derivative financial instruments	105,358	105,358	21,290	21,290	
Total	**9,450,914**	**9,482,981**	**6,865,020**	**6,863,323**	
Financial liabilities					
Payables to credit institutions and central banks	880,993	880,993	1,612,759	1,612,759	
Deposits and other payables	4,282,620	4,282,620	3,899,503	3,899,503	
Issued bonds at amortised cost	3,028,894	3,032,833	500,000	500,000	
Subordinate debt	830,016	694,977	604,072	553,571	
Derivative financial instruments	112,072	112,072	24,740	24,740	
Total	**9,134,595**	**9,003,495**	**6,641,074**	**6,590,573**	

The item Other assets (DKK 164,332k) includes derivative financial instruments worth DKK 105,358k.
The item Other liabilities (DKK 212,678k) includes derivative financial instruments worth DKK 112,072k.

Fair value hierarchy for financial assets and liabilities measured at fair value in the balance sheet 43

Group	Listed prices	Observable input	Unobservable input	Total 2010
Financial assets				
Receivables from credit institutions and central banks	967,470	0	0	967,470
Bonds at fair value	1,211,507	0	0	1,211,507
Shares etc	25,819	220,034	58,107	303,960
Derivative financial instruments	0	105,358	0	105,358
	2,204,796	325,392	58,107	2,588,295
Financial liabilities				
Derivative financial instruments	0	112,072	0	112,072
	0	112,072	0	112,072

	Listed prices	Observable input	Unobservable input	Total 2009
Financial assets				
Receivables from credit institutions and central banks	176,384	0	0	176,384
Bonds at fair value	1,325,596	0	0	1,325,596
Shares etc	27,546	119,104	34,209	180,859
Derivative financial instruments	0	21,290	0	21,290
	1,529,526	140,394	34,209	1,704,129
Financial liabilities				
Derivative financial instruments	0	24,740	0	24,740
	0	24,740	0	24,740

Unobservable input	**2010**	**2009**
Shares etc, beginning of year	34,209	29,955
Acquisition	23,898	4,254
Shares etc at year-end	**58,107**	**34,209**

Of this, the capital contribution in BEC (The Banks' Computer Centre) totals DKK 55,840k. The contribution was raised by DKK 22,824k as part of the merger with Skælskør Bank.

Notes

Note

44 **Classification of and return on financial assets and liabilities**

Group

	Held to maturity DKK '000	Loans and receivables DKK '000	Trading portfolio DKK '000	Fair value through P/L DKK '000	Total 2010 DKK '000
Financial assets					
Cash and demand deposits	0	324,355	0	0	324,355
Receivables from credit institutions and central banks	0	967,470	0	0	967,470
Loans, advances and other receivables at amortised cost	0	6,303,714	0	0	6,303,714
Bonds at fair value	0	0	1,211,507	0	1,211,507
Bonds at amortised cost	228,233	0	0	0	228,233
Shares etc	0	0	21,066	282,894	303,960
Derivative financial instruments	0	0	105,358	0	105,358
	228,233	**7,595,539**	**1,337,931**	**284,050**	**9,444,597**
Financial liabilities					
Payables to credit institutions and central banks	0	880,993	0	0	880,993
Deposits and other payables	0	4,279,437	0	0	4,279,437
Issued bonds at amortised cost	3,028,894	0	0	0	3,028,894
Subordinate debt	0	830,016	0	0	830,016
Derivative financial instruments	0	0	112,072	0	112,072
	3,028,894	**5,990,446**	**112,072**	**0**	**9,131,412**

	Held to maturity DKK '000	Loans and receivables DKK '000	Trading portfolio DKK '000	Fair value through P/L DKK '000	Total 2010 DKK '000
Return on financial assets and liabilities					
Interest income	3,106	334,936	47,909	0	385,951
Interest expenses	42,379	110,378	0	0	152,757
Net interest income	**-39,273**	**224,558**	**47,909**	**0**	**233,194**
Dividend etc	0	0	15	668	683
Fees and commission income	0	63,225	18,549	0	81,774
Ceded fees and commission income	0	7,247	5,646	0	12,893
Net interest and fee income	**-39,273**	**280,536**	**60,827**	**668**	**302,758**
Translation/market value adjustments	0	0	-2,535	3,775	1,240
Other operating income	0	42,035	0	0	42,035
Impairment losses on loans, advances and receivables etc	0	106,651	0	0	106,651
Profit/loss before expenses	**-39,273**	**215,920**	**58,292**	**4,443**	**239,382**

Note

	Held to maturity DKK '000	Loans and receivables DKK '000	Trading portfolio DKK '000	Fair value through P/L DKK '000	Total 2009 DKK '000
Financial assets					
Cash and demand deposits	0	476,621	0	0	476,621
Receivables from credit institutions and central banks	0	176,384	0	0	176,384
Loans, advances and other receivables at amortised cost	0	4,434,856	0	0	4,434,856
Bonds at fair value	0	0	1,325,596	0	1,325,596
Bonds at amortised cost	230,187	0	0	0	230,187
Shares etc	0	0	25,855	155,004	180,859
Derivative financial instruments	0	0	21,290	0	21,290
	230,187	**5,087,861**	**1,372,741**	**155,004**	**6,845,793**
Financial liabilities					
Payables to credit institutions and central banks	0	1,612,759	0	0	1,612,759
Deposits and other payables	0	3,899,478	0	0	3,899,478
Issued bonds at amortised cost	500,000	0	0	0	500,000
Subordinate debt	0	604,072	0	0	604,072
Derivative financial instruments	0	0	24,740	0	24,740
	500,000	**6,116,309**	**24,740**	**0**	**6,641,049**

	Held to maturity DKK '000	Loans and receivables DKK '000	Trading portfolio DKK '000	Fair value through P/L DKK '000	Total 2009 DKK '000
Return on financial assets and liabilities					
Interest income	7,318	306,130	64,064	0	377,512
Interest expenses	18,855	170,799	0	0	189,654
Net interest income	**-11,537**	**135,331**	**64,064**	**0**	**187,858**
Dividend etc	0	0	123	1,424	1,547
Fees and commission income	0	62,668	15,490	0	78,158
Ceded fees and commission income	0	5,621	3,460	0	9,081
Net interest and fee income	**-11,537**	**192,378**	**76,217**	**1,424**	**258,482**
Translation/market value adjustments	0	0	19,047	1,350	20,397
Other operating income	0	16,896	0	0	16,896
Impairment losses on loans, advances and receivables etc	0	110,906	0	0	110,906
Profit/loss before expenses	**-11,537**	**98,368**	**95,264**	**2,774**	**184,869**

Note

45 **Risk management and risk factors**

Max Bank defines risk as any event that may have a material negative influence on the Bank's business activities and objectives and its liquidity and capital resources.

The Bank is exposed to various types of risk that are all managed on the basis of a shared objective that the Bank must have a conservative risk profile designed to ensure a stable foundation for the future development of the Bank.

Risk management is an important focus area for Max Bank's Board of Directors, Executive Board and other executive staff in their daily work. This means that great importance is attached to the Bank having in place the risk policies, risk management rules, procedures and tools to ensure that it is able to duly identify and respond to the risks to which it is or may be exposed. One of the aims of this is to have risk management form a key element of all of the Bank's dealings with customers and business partners as well as dealings on its own account.

The Board of Directors defines the scope and objectives for managing and monitoring all significant risks of relevance to the Bank. This scope and these objectives then provide a foundation for the development of operative risk policies, business processes, control procedures and reporting processes in relevant business areas of the Bank.

Day-to-day management and monitoring of risks are primarily the responsibility of the Finance and Credit Departments as well as the Bank's Investment Centre and back office. In addition, certain functions have powers corresponding to their responsibilities, just as the following functions/units are covered by the Bank's general risk management: Executive Board, risk forum, risk management and compliance.

The Bank regularly develops its tools for risk identification and risk management, and it makes targeted efforts to develop and adjust its organisation to ensure, among other things, optimum management of business risks.

In 2009, to improve its risk management, Max Bank appointed a cross-organisational risk forum made up of the Executive Board, the CFO, the Head of the Credit Secretariat, the Head of the Finance and Investments Departments and the Bank's risk management function.

In 2010, the Bank took further measures in further strengthening risk management and controls through the establishment of independent compliance and risk functions. In doing so, Max Bank has already adapted its organisational structure to the new rules governing this area – rules which come into force in mid-2011, tightening the requirements relating to formalised procedures for governance and risk management at financial institutions (Executive Order no 1325 of 1 December 2010 on governance and management of financial institutions etc).

Risk factors

The Bank's operations are subject to risk as a result of the Bank's dealings with customers and business partners and through the dealings on the Bank's own account. The key risk factors may be categorised as follows:
Risks associated with macroeconomic developments and market conditions
Risks associated with the loan portfolio
Risks associated with the market
Risks associated with liquidity and funding
Risks associated with operational errors
Risks associated with solvency and solvency needs

The Bank's most material risks relate to the credit area, capital position and liquidity. In the short term, it is particularly the uncertainty of the Bank's level of impairment losses that manifests itself, whereas in the medium term it is the risks related to the Bank's refunding opportunities for subordinate loans and other funding vehicles. The latter risks are increased further by the intensified requirements for equity and liquidity which are expected to be implemented gradually from 2013 as part of the Basel III standard.

The individual risk factors as well as the objectives and risk policies to manage them are outlined below.

Risks associated with macroeconomic developments and market conditions

Since the summer of 2007, the global financial system has experienced one of the worst credit and liquidity crises ever. The crisis has been characterised by liquidity shortfalls, increased volatility and a subsequent economic decline across most industries resulting in major impairment charges and losses.

Max Bank currently adapts its strategy, policies and management of business areas to the development in macroeconomic and market conditions with a view to ensuring an overall prudent risk profile for the Bank.

Relevant macroeconomic factors are also included specifically in internal models where this is found relevant, for instance in the Bank's model for calculating collective impairment losses. This model also takes account of variables such as unemployment, real estate prices, interest rate, bankruptcy, fuel prices, etc.

Credit risk

Credit risk is the risk of loss resulting from one or more counterparties failing to meet all or part of their payment obligations to the Bank.

Risks associated with the loan portfolio

Max Bank has provided loans, guarantees and advances worth a total of DKK 7,760,405k. Compared to last year, this is an increase of 41.8% for loans and advances, whereas the total volume of loans, advances and guarantees has gone up by 39.6%. This development is attributable to the merger between Max Bank and Skælskør Bank in Q3 2010. The portfolio deriving from Skælskør Bank and Max Bank has – seen in isolation for both banks in 2010 – been reduced by 5.5% and 2.4%, respectively, or in aggregate by 3.3%.

Loans, advances and guarantees

	2010 DKK '000	2009 DKK '000
Loans and advances	6,317,263	4,454,083
Guarantees	1,443,142	1,106,035
Total	**7,760,405**	**5,560,118**

Funding vehicles and customer profiles

The Bank engages in funding serious companies, affluent private customers, home-owners and young people on the brink of establishment. The customer must be able to meet his commitments as and when they mature. As a result, exposures must match the customers' creditworthiness, capital position and assets.

The Bank does not contribute to the funding of:

- Illegal and evidently unethical projects
- Non-transparent customers, groups and projects
- Reestablishment of businesses subject to bankruptcy
- Businesses or individuals characterised by shady business areas that may inflict damage on the Bank's reputation
- Exposures based on third-party recourse guarantees only (an exception from this rule is parents' recourse guarantee/deposit for small loans to their children – particularly in the establishment phase)
- Exposures with danger signals.

Our credit facilities to private customers include universal products within home financing, car financing, overdraft facilities etc, whereas offers to corporate customers include options for the funding of operations, investments, financial lending and construction.

For private customers, loan applications must always contain information about the customer's financial position, including data on disposable amount, income and assets, whereas corporate customers must provide:
- A detailed corporate description of the debtor and group companies
- A detailed examination of the debtor's and group companies' financial statements
- An analysis of the company's/group's business concept
- An assessment of the exposure's strengths/weaknesses and risks.

The granting of a loan or an advance always presupposes that finances do not deviate significantly from the Bank's business processes. The Bank's credit policy also includes specific requirements for each funding vehicle of which some are described briefly below.

Concentration of industries
The Bank aspires to have its activities spread on different industries to prevent it from becoming dependent on one specific industry and the cyclical conditions of this industry.

In view of this, the Bank has a policy to ensure that no single industry should account for more than 15% of total loans and advances – however 25% for the real estate market. Due to the market situation, there is a general non-committal attitude towards estate agents, the real estate market, restaurants and hotels and the construction industry.

At year-end 2010, Max Bank's exposure to the business sector was 68.0%. This share reflects a small increase on 2009 when loans and advances to corporate customers totalled 66.0%. The largest single industry is still "Real estate", accounting for 24.8% of the total loans, advances and guarantees after impairment losses. The development in the portfolio deriving from Max Bank prior to the merger was – seen in isolation – subject to a small decline in 2010, whereas the share of exposures to private customers has risen marginally.

The concentration of industries is in itself an important indication of the Bank's credit risk, but cannot be seen in isolation. The purpose of a loan or an advance to a customer is key to the assessment of credit risk, and in some cases it gives a fairer view of the actual credit risk than reflected in the sector to which the customer belongs. For instance, prior years' large loans and advances to corporate customers in the form of investment credits have been contributory to increasing corporate concentration in general and in specific sectors even though such loans and advances were not directly related to the individual customer's affiliation with or risk of a sector. Investment credits have been reduced considerably in recent years.

Large exposures
The Bank has adopted a policy of reducing the number of large exposures that account for more than 10% of the capital base so that their total amount will not exceed 125% of the capital base (the statutory limit is 800%) pursuant to the Supervisory Diamond's benchmark for the total amount of large exposures.

A targeted effort has been made since 2008 to reduce the Bank's credit risk, including the share of large exposures. In 2009, the share of large exposures was reduced from 234.5% to 111.0%, and at year-end 2010 the share is 84.7%. Accordingly, the total amount of large exposures is now already considerably below the Supervisory Diamond's benchmark of 125%.

Collateral security
Credit rating and assessment of an exposure are conducted on the basis of yearly statements, financial statements, earnings capacity, budgets as well as the customer's specific requirements. The Bank does not assess exposures based on collateral security alone.

Some types of loans and advances such as housing loans are based on a certain kind of collateral security by way of a loan secured against property. Apart from these guidelines, the Bank has no formal policy governing prioritisation of different types of collateral security but believes that the above-mentioned collateral security must be easily transferable. If customers fail to observe the Bank's business terms, the Bank is entitled to demand realisation of the collateral security.

As illustrated below, 46.2% of the Bank's collateral security is provided for real estate whereas securities represent 8.2%. For deposited securities, a part of the collateral security derives from investment credits which are primarily handled in closed systems subject to daily monitoring.

Specification of collateral security

	2010 Mortgageable value DKK '000	Distribution	2009 Mortgageable value DKK '000	Distribution
Cars	166,246	4.66%	103,646	3.60%
Property	1,649,431	46.24%	1,307,327	45.39%
Invoice discounting	169	0.00%	157	0.01%
Insurance	591	0.02%	118	0.00%
Guarantees	81,400	2.28%	131,848	4.58%
Recourse guarantees	27,253	0.76%	13,963	0.48%
Cash	87,123	2.44%	68,160	2.37%
Aircrafts	16,634	0.47%	15,392	0.53%
Movables	26,899	0.75%	16,669	0.58%
Mortgage finance*	913,545	25.61%	609,593	21.17%
Ships	13,410	0.38%	5,154	0.18%
Assignments	50,640	1.42%	28,093	0.98%
Securities	292,451	8.20%	259,187	9.00%
Other	241,343	6.77%	320,692	11.14%
Total	**3,567,135**	**100.00%**	**2,879,999**	**100.00%**

* Primarily includes a right of first refusal regarding guarantees provided by Dansk Landbrugs Realkreditfond (DLR) and redemption and case guarantees provided to Totalkredit.

Classification of risks

In order to gain perspective of the Bank's credit risk, it is the Bank's policy to classify all customers with an exposure exceeding DKK 5,000. The classification is broken down for the private and corporate segment, each consisting of the following five risk classes:

- Good
- Satisfactory
- Weak
- Weak customers with danger signals (watch customers)
- Customers selected for assessment of impairment/with indication of impairment.

Customers are rated in accordance with objective and subjective criteria, which – for private customers – are based on:

- The household's disposable income
- The household's assets
- Collateral security and other factors, including financial danger signals

And which for corporate customers are based on each company's:

- Earnings/profit margin
- Solvency/equity
- Collateral security and other factors, including financial danger signals

Private and corporate customer classification is also directional for the individual advisor's lending authorities, where the lending authority declines in step with the customer's decreasing creditworthiness.

In the "Customers with danger signals" risk class, all private customers' exposures exceeding DKK 200,000 and all corporate customers' exposures exceeding DKK 500,000 are processed using a "Four-eye approval approach". In the weakest risk class, "customers selected for assessment of impairment/with indication of impairment" processing also takes place applying the "four eye approval approach". The majority of exposures with private and corporate customers in the weakest class may only be approved by the Executive Board or the Board of Directors.

For the two weakest customer groups, action plans are drawn up for strategies to minimise risks.

Loans and advances by type of customer and risk class

	Risk class	2010	2009	2008
Private	1 Good	23.7%	24.8%	34.0%
	2 Satisfactory	32.2%	31.1%	35.2%
	3 Weak	26.6%	27.7%	22.4%
	4 Weak customers with danger signals (watch customers)	9.6%	10.8%	5.9%
	5 Customers selected for assessment of impairment/ with indication of impairment.	7.9%	5.6%	2.5%
Total		**100.0%**	**100.0%**	**100.0%**
Corporate	1 Good	11.6%	16.0%	32.3%
	2 Satisfactory	16.5%	15.4%	17.8%
	3 Weak	31.8%	35.6%	31.1%
	4 Weak customers with danger signals (watch customers)	32.3%	22.4%	13.5%
	5 Customers selected for assessment of impairment/with indication of impairment.	7.7%	10.6%	5.3%
Total		**100.0%**	**100.0%**	**100.0%**

As part of the merger, a process was initiated to implement Max Bank's classification model which involves a systematic review of the customer portfolio in the former Skælskør Bank. The process is expected to be completed during H1 2011 and will – when finished – entail that all exposures exceeding DKK 5,000 have been risk classified pursuant to the Bank's classification model.

By year-end 2010, approx 30% of the former Skælskør Bank's customer portfolio had been classified pursuant to Max Bank's classification model and is included in the ratios in the table: Loans and advances by type of customer and risk class. The credit quality of the remaining exposures is evident below.

Distribution of former Skælskør Bank exposures not yet classified pursuant to Max Bank's classification model

Risk class	2010
Good/satisfactory	60.6%
To watch	3.3%
Weak	7.1%
Customers selected for assessment of impairment/with indication of impairment	29.0%
Total	**100.0%**

Overdrafts and arrears

The Bank's overall purpose of dealing with and managing overdraft is to reduce the overdrafts of the Bank to an appropriate level that is manageable by the individual customer advisor, branch manager, etc.

In terms of amount, the Bank aims for an overdraft level that is appropriate in relation to the individual branch's loans and advances as well as guarantees. If overdrafts occur, a decision must be made to grant or reject credit. The granting or rejection of credit depends on the specific situation concerned.

Arrears relating to loans and advances which have not been written down amounted to DKK 48,308k at year-end 2010. The aging of arrears may be specified as follows:

Aging of arrears relating to loans and advances not written down

	2010			2009		
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
	Accounts overdrawn	Exposure	Collateral security	Accounts overdrawn	Exposure	Collateral security
0-10 days	20,693	227,860	66,637	8,070	163,688	50,049
11-30 days	8,626	126,331	26,511	9,683	89,146	38,391
30-90 days	9,681	113,972	57,156	7,477	71,899	44,119
90-360 days	9,308	43,124	22,075	3,534	49,028	16,542
Total	**48,308**	**511,288**	**172,379**	**28,764**	**373,761**	**149,101**

Impairment losses
Individual and collective write-downs for impairment are made in accordance with the rules of the Danish Executive Order on Financial Reports for Financial Credit Institutions and Investment Companies and IAS 19.

The indication of impairment is assessed regularly via a process managed by the Credit Secretariat in close co-operation with the individual customer advisor and branch.

Impaired claims subjected to individual write-down for impairment broken down by sector

		Accounts in default[1] DKK '000	Impaired claims[2] DKK '000	Accumulated imp. losses DKK '000	Effect on net profit[3] DKK '000	Write-offs DKK '000
1.	Public authorities	0	1,280	277	277	0
2.	Corporate customers	23,743	712,344	351,273	75,131	281,211
2.1	Agriculture, hunting, forestry and fisheries	2,901	5,820	5,348	7,501	7,345
2.2	Manufacturing and raw material extraction	414	16,945	9,509	411	2,620
2.3	Utilities	0	0	0	0	0
2.4	Building and construction	6,481	197,275	77,136	21,808	46,550
2.5	Trade	1,908	45,405	30,947	5,340	10,353
2.6	Transport, hotels and restaurants	424	13,994	12,773	2,485	612
2.7	Information and communication	114	21,265	14,297	-41	0
2.8	Finance and insurance	2,816	228,313	114,059	25,444	152,333
2.9	Real estate	5,286	75,923	43,987	-81	42,746
2.10	Other sectors	3,399	107,404	43,217	12,264	18,652
3.	Private	24,565	195,712	111,379	31,243	14,633
Total		48,308	909,336	462,929	106,651	295,844

1 Claims being in arrears for more than 90 days where no write-down has been made.
2 Loans, advances and guarantees subject to write-down.
3 Before addition of amounts finally lost/written off in the year.

Note

Cause and consequence of individual write-downs for impairment

Cause		Consequence	
Address unknown/emigrated	1.09%	Suspension of payments	2.68%
Unemployment	2.86%	Excessive debt gearing	11.96%
The Bank lacks financial insight	11.59%	Composition/receipt in full	0.43%
Double rent	0.53%	Arrangement (easier credit terms)	4.19%
Death	0.40%	Debt rescheduling	2.15%
Disposable amount too low	8.43%	Bankruptcy	31.76%
Miscalculated disposable amount	0.16%	Default/overdraft/arrears	22.12%
Debt-financed consumption/overspending	5.39%	Negative cash flow (cannot repay debt)	18.15%
Lacking willingness to pay	15.65%	RKI (Danish registry of debtors)	1.57%
Lacking financial understanding	9.76%	Reminder/return/cancellation of payment card	1.56%
Lacking management/business sense	13.70%	Technically insolvent	7.19%
Divorce	2.85%	Compulsory composition	0.43%
Halted payments (for instance wages)	9.04%	Compulsory sale	2.10%
Declining business	61.65%	Expenses	1.48%
Declining sales	18.17%		
Sickness	0.88%		

Note: A write-down may have one or more causes and consequences

The carrying amount of loans and advances that would have been impaired had they not been renegotiated may be calculated at DKK 325,298k for 2010. The Bank generally considers objective evidence of impairment to exist and determines the impairment when the loan terms are adjusted due to the borrower's financial difficulties.

Risk-weighted assets subject to credit risk
The total value of credit exposures (net of impairment losses) before allowing for the effects of applying credit risk-reducing methods is DKK 11,374,607k – of which recognised on-balance sheet items amount to DKK 8,076,329k.

Credit exposures by on-balance sheet and off-balance sheet items

	2010 DKK '000	2009 DKK '000
On-balance sheet items	8,076,329	5,355,332
Off-balance sheet items	3,162,034	2,347,334
Guarantees	1,443,142	1,152,698
Loan commitments	1,718,892	1,194,636
Security financing facilities and forward contracts	17,731	17,407
Derivative financial instruments	118,513	18,034
Total	**11,374,607**	**7,738,107**

After credit risk reduction and conversion factors, the Bank's exposures total DKK 9,374,209k, whereas exposures after risk weighting are DKK 6,912,369k (average for the year: DKK 6,931,165k). The final risk weighting corresponds to an average weighting of credit exposures of approx 61%.

The values of the exposures by exposure category and sector are outlined below.

Credit exposures by exposure category

	Exposures Unweighted[1] DKK '000	Exposures Weighted DKK '000	Average exposure Weighted[2] DKK '000
Central governments or central banks	1,048,151	0	0
Regional or local authorities	108	0	2
Public entities	0	0	0
Multilateral development banks	0	0	0
International organisations	0	0	0
Institutions	472,533	198,961	217,846
Business enterprises etc	3,914,250	3,862,385	3,723,322
Private customers	3,322,382	2,491,787	2,565,149
Security on immovable property	355,955	137,274	163,122
Arrears or overdrafts	63,812	91,978	128,930
Covered bonds	0	0	0
Securitisations	0	0	0
Short-term institution or business exposures etc	0	0	0
Collective investment schemes	128	128	126
Other items, including assets without counterparties	196,890	129,856	132,672
Total	**9,374,209**	**6,912,369**	**6,931,165**

1 Meaning after applying credit risk-reducing methods and conversion factor, but before exposure adjustment.

2 The average was calculated based on Q3 and Q4 2010 because an average based on FY 2010 would not be comparable with the other figures in the table due to the merger with Skælskør Bank.

Exposures by sector and exposure category before credit risk-reducing methods, conversion factor and weighting

	Central government	Reg. authority	Institutions	Business enterprises	Private customers	Security on imm. property	Overdrawn or in arrears	Collective inv. funds	Other items
Public authorities	0	0	0	0	91,865	2,176	0	0	0
Agriculture and fisheries	0	0	0	359,414	383,995	35,437	1,102	0	0
Manufacturing raw material extraction, utilities	0	0	0	152,518	136,492	7,106	0	0	0
Building and construction	0	0	0	352,784	305,636	35,125	2,967	0	0
Trade, restaurants and hotels	0	0	0	156,410	434,345	28,321	3,904	0	0
Transport, mail and telephone	0	0	0	93,757	71,401	4,477	0	0	0
Credit, finance and insurance	1,048,124	0	763,719	321,580	85,596	834	0	0	230,606
Property management and trade, as well as business services	0	0	0	1,692,222	490,009	82,629	24,405	0	30
Other industries	0	0	0	884,925	187,706	40,814	22,700	0	0
Private	6[1]	100	702	421,248	2,544,260	119,282	0	0	58,851
No or unknown sector	0	0	29,036	82,951	1,017	0	0	128	0
Total	**1,048,130**	**100**	**793,457**	**4,517,809**	**4,732,322**	**356,201**	**55,078**	**128**	**289,487**

Note: The table is exclusive of reducing adjustments of approx DKK 345m relating to interest receivable and accounts with credit balances.

1 Government-backed loans, such as student loans and credits from the Danish Credit Institution for Local Authorities.

Note

Cover of collateral security used (adjusted value)

	Financial security DKK '000	Guarantees/credit derivatives DKK '000
Business enterprises etc	147,821	80,172
Private customers	84,453	0
Security on immovable property	0	108
Arrears or overdrafts	2,204	0
Total	**234,478**	**80,208**

Note: The table only shows the exposure categories in which financial collateral is applied to make a downward weighting.

Counterparty risk and settlement risk of derivative financial instruments

The counterparty risk associated with the use of a derivative financial instrument means the positive market value of the derivative financial instrument plus the potential future receivable.

When trading in securities, currency and derivative financial instruments as well as in relation to payment services etc, exposures arise towards financial counterparties in the form of counterparty and settlement risk. Counterparty risk is the risk of the counterparty failing to fulfil his/her part of the transaction, entailing that the Bank does not receive the positive market value, whereas settlement risk is the risk that the Bank does not receive payments or securities as part of settling securities or currency transactions that correspond to the securities or payments provided by the Bank.

The Bank pursues a general objective of minimising the counterparty risk. When reviewing and determining limits (lines), decisive weight is consequently assigned to counterparty rating etc, just as efforts are made to have an appropriate spread of the various counterparties.

Max Bank applies the mark-to-market method for counterparty risk specified in Appendix 16, no 9-16, to the Danish Executive Order on Capital Adequacy to calculate the size of exposures to derivative financial instruments that fall within the definition in Appendix 17 to the Danish Executive Order on Capital Adequacy.

Risk-weighted assets subject to counterparty risk

At year-end 2010, the positive gross fair value of financial contracts is DKK 105,358k and relates to the risk of currency contracts and interest-rate contracts. For additional specification of the positive gross fair value, please refer to note 30 of the financial statements which outlines the average value for each type of the derivative financial instruments.

The value of the Bank's total counterparty risk as determined under the mark-to-market method for counterparty risk is DKK 118,513k, of which DKK 103,728k relates to counterparties with a 100% risk weight (corporate customers) and the remaining DKK 14,785k relates to counterparties with a 20% risk weight (institutions).

The Bank's settlement risk is calculated at DKK 0.

Market risk

Market risk is the risk that the market price of one or more of the Bank's assets or liabilities will change due to changes in market conditions.

Objectives and policies for managing market risk

The Bank's fundamental approach is not to incur material market risks as it aims to generate earnings through ordinary banking activities and not through speculative transactions.

As to the Bank's own portfolio, the prudent risk profile entails that most of the portfolio typically consists of Danish short-term bonds or receivables from Danmarks Nationalbank or other financial institutions and only to a lesser degree of traditional listed shares.

Composition of the Bank's own portfolio

	DKK '000	Breakdown
Cash and currency	56,413	1.25%
Danmarks Nationalbank and other credit institutions	967,470	21.50%
Bonds	1,439,740	32.00%
- of this, mortgage bonds	1,189,650	26.44%
- of this, bonds at amortised cost	228,233	5.07%
- of this, other bonds	21,857	0.49%
Shares	297,894	6.62%
- of this, listed on stock exchanges	25,819	0.57%
- of this, sector shares and unlisted unit trusts	272,075	6.05%

Interest-rate risk

The interest-rate risk which is primarily associated with the Bank's bond portfolio and fixed-interest deposits/loans and advances must not exceed 5% of the capital base pursuant to the Bank's internal guidelines. The Bank's interest-rate risk was calculated at DKK 5,281k or 0.4% relative to the capital base, whereas the Bank's total interest-rate risk relative to core capital was 0.7%. The Bank does not expect notable interest-rate increases in 2011, but in the years ahead an increase in this country's historically low interest-rate level must be expected. Accordingly, a parallel rate increase in the yield curve of 2 percentage points will entail a capital loss on the portfolio. At the same time, however, the return on the portfolio will go up as and when the short-term bonds are reinvested at the higher rate of return.

Currency risk

At year-end 2010, total currency risk accounted for 0% of the capital base. The Bank's currency exposure is evident from note 31 of the financial statements, stating that any minor currency risk primarily relates to euro.

Due to the Danish foreign currency policy, the euro exchange rate is not expected to change noticeably, and any exchange loss is considered immaterial. Any currency risk in other currencies primarily derives from the branches' cash holdings, for instance in USD, SEK or NOK, which do not constitute noteworthy amounts in terms of risk.

A drop in the euro exchange rate of 2.25% (corresponding to the fluctuation band) and a 10% drop in other currencies will affect the Bank's results and equity adversely by DKK 498k.

Share price exposure

At year-end 2010, the Bank's own portfolio consisted of a minor block of traditional shares and sector shares as well as a major block of Danish short-term bonds. The return on these assets consists of market value adjustments and interest/dividends. On this background, the Bank's risk profile may be considered extremely prudent as most of the portfolio consists of Danish short-term bonds or receivables from Danmarks Nationalbank or other financial institutions.

The block of shares of the portfolio follows the Bank's share strategy specifying that share investments are placed in a minor block of traditional shares (typically Danish OMX C20 companies) and in sector-related/strategic companies (for instance DLR, Nets and LetPension). At year-end 2010, the total share investments in traditional shares accounted for approx 0.6% and sector-related shares approx 6.0% of the own portfolio, whereas the remaining portfolio of securities contained Danish short-term bonds.

The share portfolio makes up for DKK 21m of the Bank's trading portfolio. The trading portfolio is primarily invested broadly in Danish shares at NASDAQ OMX, in which both positive and negative price fluctuations in the range of 10% must be expected within a few months/the year. A general and, thus, not improbable 10% loss in share prices would result in a loss of DKK 2.1m on the Bank's trading portfolio. The share portfolio is adjusted regularly to the effect that the portfolio is reduced if the Bank's expectations for the share market are not considered attractive any longer. The Bank assesses that the sector shares are not noticeably affected by the general decline in share prices at the stock exchanges.

The impact in terms of amount on results and equity when stress testing the Bank's market risk.

	Loss DKK '000	Equity DKK '000
Currency exposure	-498	-498
Interest-rate risk	-5,281	-11,006
Share price exposure	-2,100	-2,100

Exposures on shares etc not included in the trading portfolio
Together with other banks, Max Bank has acquired shares in a number of sector companies. The object of these sector companies is to support the banks' activities within mortgage financing, payment services, IT, investment funds, etc. Max Bank does not plan to sell these shares as participation in these sector companies is considered necessary to operate a local bank. The shares are therefore considered to stand outside the trading portfolio.

Exposures to interest-rate risk relating to positions not included the trading portfolio
Max Bank's interest-rate risk exposure for positions not included in the trading portfolio primarily takes the form of fixed-rate loans and advances, mortgage deeds and deposits as well as own loans by way of senior capital and subordinate debt. The Bank generally hedges interest-rate risk on positions not included in the trading portfolio, and alternatively such risk on for instance fixed-rate deposits or loans and advances forms part of the Bank's day-to-day management of the overall interest-rate risk.

The Bank's risk by type of instrument

	2010 DKK '000	2009 DKK '000
Positions included in the trading portfolio		
1. Securities on the balance sheet including spot transactions	7,449	14,318
2. Futures, forward contracts and forward rate agreements	-6	-235
3. Options	0	0
4. Swaps	-113	-161
Total, included in the trading portfolio	**7,330**	**13,922**
Positions outside the trading portfolio		
1. On-balance sheet items (excluding positions in 2 and 3)	-2,049	-2.916
2. Positions with limited or hedged interest-rate risk	0	0
3. Positions with special interest rate formula	0	0
Total, outside the trading portfolio	**-2,049**	**-2,916**
All positions	**5,281**	**11,006**

Liquidity risk

Liquidity risk is a measure of the risk of not being able to raise sufficient capital in the market for the Bank's current operations.

Liquidity risk is a high-priority risk area for Max Bank. Seen from a risk perspective, managing the Bank's cash resources and funding has for several years been subject to much focus by Max Bank's Board of Directors and other executive staff. This priority remains unchanged in a period in which the global banking industry has experienced a serious liquidity crisis which has necessitated government-supported aid packages.

The Bank has sought to cover its funding requirements via deposits and bond issues under the Individual Government Guarantee. The agreement with the Financial Stability Company runs for three years, and Max Bank has issued government-backed bonds worth DKK 3.6bn maturing in 2013. Against this background, the Bank expects to have secured its funding requirements up to 2013. However, this does not constitute a guarantee against problems arising in shorter or longer periods that render these measures inadequate to cover the current requirement or the funding requirement of the balanced growth strategy of the future. Continued or exacerbated turbulence in the global financial market and in the economy may affect the Bank's liquidity adversely, thereby cutting off the Bank from engaging in new business. If events occur to the effect that the above-mentioned senior funding is inadequate combined with the non-existence of improved credit willingness among lenders towards financial institutions, this may influence the Bank's ability to refund itself or procure funding on acceptable terms adversely.

The Bank also has subordinate loans of DKK 450m maturing from 2014 and onwards. If the market for subordinate debt fails to improve, or if the Bank finds itself unable to refund these loans via its operating profits, senior funding or other capital resources, the Bank will incur a funding risk that may affect its liquidity as well as its solvency.

The Bank's funding primarily consists of deposits and bond issues under the Individual Government Guarantee which all mature in 2013. Accordingly, the Bank will face a potential liquidity risk vis-à-vis the refunding in 2013 if the liquidity market at that time remains restricted or excessively costly.

Funding composition

	2010 DKK '000	2009 DKK '000
Payables to credit institutions and central banks	880,993	1,612,759
Deposits and other payables	4,282,620	3,899,503
Issued bonds	3,028,894	500,000
Subordinate debt	830,016	604,072
Equity	472,391	319,656

Funding composition by maturity

2010	Payables to credit institutions and central banks	Deposits and other payables	Issued bonds	Subordinate debt
On demand	314,506	2,482,060	0	0
Up to and including 3 months	101,906	512,958	0	0
More than 3 months and up to 1 year	9,498	376,816	0	0
More than 1 year and up to 5 years	455,083	679,647	3,028,894	449,544
More than 5 years	0	231,139	0	380,472
Total	**880,993**	**4,282,620**	**3,028,894**	**830,016**

2009	Payables to credit institutions and central banks	Deposits and other payables	Issued bonds	Subordinate debt
On demand	404,231	1,616,348	0	0
Up to and including 3 months	366,000	1,702,963	0	0
More than 3 months and up to 1 year	388,128	356,267	300,000	0
More than 1 year and up to 5 years	454,400	66,297	200,000	300,000
More than 5 years	0	157,628	0	304,072
Total	**1,612,759**	**3,899,503**	**500,000**	**604,072**

Objectives and policies for managing liquidity risk
The Bank's strategic objective is not to be dependent on one liquidity market or one source of liquidity. Therefore, cash must be procured in different markets, from different sources and have differing fixed maturities, depending on market prospects.

Based on preparatory material from the Executive Board, the Board of Directors prepares an overall plan for funding and liquidity procurement every year. This plan defines the strategic objectives for excess coverage, spread, etc.

The Board of Directors has decided that the Bank is to maintain a high excess coverage, and the objective is that liquidity calculated pursuant to section 152 of the Danish Financial Business Act can be calculated monthly at a level doubling the statutory requirement, ie an excess coverage of 100%.

The structure in the Bank's management of liquidity risk
Max Bank's cash management is based on the Bank's funding and liquidity strategy which forms an integral part of the Bank's finance policy. The strategy is approved by the Bank's Board of Directors on an annual basis. The liquidity strategy includes many strategic considerations and objectives, also with regard to the amount of procurement and spread of liquidity as well as the reporting of cash flow developments.

The day-to-day liquidity management is handled by the Bank's Investment Centre. The Bank has allocated resources for assessing and managing day-to-day liquidity developments, and this includes forecasting and planning the Bank's placement and funding requirements in the short term as well as the long term. Assessments and transactions are conducted in accordance with applicable rules/internal instructions.

Operational risk
Operational risk is defined as the risk of financial loss due to errors in internal processes and human errors.

Objectives and policies for managing operational risk
It is the Bank's policy to continuously reduce operational risk considering related costs. As part of the Bank's objectives in this respect the following is included:
- That the Bank wants to have a strong control environment and precise control standards
- That the Bank's organisation is based on functional segregation between the entities that engage in transactions with customers and otherwise incur risks on the Bank's behalf, and entities that administer the general risk and control measures.
- That, to the highest degree possible, the Bank avoids being dependent on key persons and, where this is unavoidable, that written work process be prepared for these persons' fields of responsibility
- That the Bank aspires to enter into a number of strategic alliances with external partners in order to ensure a business volume large enough for the Bank's IT systems and other external deliveries at all times to maintain high standards in respect of business, functions and security
- That the Bank wants to be covered by insurance schemes in all material areas
- That, upon incurring operational risks, the Bank is as well-prepared as possible to minimise the resulting consequences.

Today, objectives and policies for managing operational risks form an integral part of the Bank's other policies, business processes, organisational structure, etc. An important policy is the security policy, which sets requirements for IT and staff, just as it sets a number of minimum requirements for the handling of sensitive information. In addition, IT contingency plans have been prepared to reduce losses in the event of inadequate IT facilities or other similarly critical situations.

Solvency and capital risk
The Bank's solvency and capital risk reflect the risk that arises if the Bank fails to have sufficient capital to observe the statutory solvency requirement and individually calculated solvency need.

Pursuant to the Danish Financial Business Act, Max Bank, being a financial institution, is obliged to ensure that the Bank at all times holds an adequate capital base of a volume, type and composition sufficient to cover the Bank's risk.

The Board of Directors currently assesses whether the Bank's capital structure is consistent with the interests of the Bank and its shareholders.

Pursuing its existing strategic plan, the Bank has launched a number of initiatives intended to strengthen the Bank's core capital, including initiatives to increase earnings with a view to strengthening the capital resources through consolidation via the Bank's ordinary activities.

The Bank's objective is generally to have a higher equity ratio.

Moreover, the Board of Directors has determined an objective stipulating that the Bank's solvency must exceed the individual solvency need by at least four percentage points, and that the solvency need should not exceed 10%.

Capital resources and capital base
Together with the Bank's credit risk and future liquidity situation in 2013, the capital base's composition of core capital and additional capital poses one of the most material risks faced by the Bank in the future.

In 2009, the Bank strengthened its capital resources by concluding the agreement with the Danish Government on capital contributions under Bank Aid Package II, thus securing DKK 204m in hybrid core capital. In 2010, the Bank strengthened its capital resources further by merging with Skælskør Bank and issuing shares generating net proceeds of approx DKK 98m.

So, at year-end 2010, the Bank's total hybrid core capital was DKK 380m, of which the full amount may be included in its core capital.

As is evident from the composition of the capital base, the full amount of DKK 450m of the Bank's subordinate loans is included in the capital base. The subordinate loans then consist of the following 11 facilities:

Subordinate loans

Facility	Maturity date	Early repayment	DKK'm
Hybrid capital, Bank Aid Package II	None	August 2012	204.1
Hybrid capital, Bank Aid Package II	None	December 2012	24.9
Hybrid capital	None	May 2016	100.0
Hybrid capital	None	December 2014	51.5
Subordinate loan	September 2014	September 2011	100.0
Subordinate loan	November 2014	November 2011	25.0
Subordinate loan	October 2015	October 2010	74.5
Subordinate loan	December 2015	December 2012	50.0
Subordinate loan	December 2015	December 2012	50.0
Subordinate loan	May 2015	May 2012	100.0
Subordinate loan	May 2015	May 2012	50.0
Total			**830.0**

Interest-rate terms etc are stated in note 27 to the financial statements.

Solvency
In the 2010 financial statements, the Bank's solvency ratio has been calculated at 15.0% and accordingly contains a considerable surplus in relation to the statutory requirement of 8% and the solvency need of 10.8% individually calculated by the Bank.

Accordingly, the Bank's objective of its solvency ratio at least exceeding the solvency need by four percentage points is achieved. Conversely, the solvency ratio of 10.8% exceeds the Board of Directors' maximum objective of 10%.

Note

The relatively high solvency need is partly a consequence of the merger with Skælskør Bank, which prior to 30 June 2010 had a solvency need of 13.5% compared to 9.3% in Max Bank. The increased need is also the result of the moderate growth in the segment of weak customers which continued in 2010 and that a number of model adjustments have been made at 31 December 2010 pursuant to the Danish FSA's new guide of 22 December 2010 for calculating adequate capital base and solvency need.

In 2011, the Bank's Management will continue its focused efforts from 2010 on introducing measures to reduce the Bank's solvency need and strengthen the Bank's solvency.

Solvency surplus

	2010 DKK '000	2009 DKK '000
Capital base net of deductions	1,172,502	845,392
Adequate capital base	849,936	496,545
Solvency ratio	15.0%	15.6%
Solvency need	10.8%	9.2%
Solvency surplus	38.0%	69.9%

46 **Merger with Skælskør Bank**

In May 2010, Max Bank merged with Skælskør Bank Aktieselskab, Central Business Registration No 43 95 51 28. For financial reporting purposes, the merger was implemented on 3 September 2010. The allocation of the purchase price on net assets, including identifiable intangible assets and negative goodwill, is outlined in the table below.

Negative goodwill reflects the difference between fair value of the net assets acquired including identified intangible assets as the value of customer relations and the purchase price. Negative goodwill was recognised in September 2010. In the opening balance sheet, the fair value of loans and advances has been adjusted by DKK 20m compared to the carrying amount prior to the acquisition.

	Fair value at acquisition date	Carrying amount prior to acquisition
Receivables from credit institutions	296,001	296,001
Loans and advances	1,932,272	1,947,272
Bonds	626,788	626,788
Shares etc	124,310	124,310
Tax assets	8,931	8,931
Investments in associates and group enterprises	59,056	63,906
Owner-occupied property	26,049	26,049
Property, plant and equipment	14,761	14,761
Other assets	147,376	147,376
Total assets	**3,235,544**	**3,255,394**
Payables to credit institutions	970,481	970,481
Deposits	1,728,708	1,728,708
Subordinate debt	275,848	275,848
Other obligations	158,016	158,016
Total liabilities other than provisions	**3,133,053**	**3,133,053**
Net assets acquired	102,491	
Negative goodwill	17,414	
Purchase price	**85,077**	

Notes

Note

Financial highlights

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Financial highlights have been prepared in accordance with the requirements of the Executive Order on Financial Reports for Credit Institutions and Investment Companies to this effect.

Solvency ratio	=	Capital base x 100 / Risk-weighted assets
Core capital ratio, %	=	Core capital x 100 / Risk-weighted assets
Return of equity before tax	=	Profit/loss before tax x 100 / Equity (average)
Return on equity after tax	=	Profit/loss for the year x 100 / Equity (average)
Operating income over operating expenses	=	Income / Expenses (excluding tax)
Interest-rate risk	=	Interest-rate risk x 100 / Core capital net of deductions
Currency position	=	Exchange rate indicator 1 x 100 / Core capital net of deductions
Currency exposure	=	Exchange rate indicator 2 x 100 / Core capital net of deductions
Loans and advances in ratio to deposits	=	Loans and advances + impairment losses / Deposits
Loans and advances in ratio to equity	=	Loans and advances + impairment losses / Equity
Growth in loans and advances for the year	=	(Loans and adv. year-end – loans and adv. beginning of year) x 100 / Loans and advances beginning of year
Excess coverage relative to statutory liq. req.	=	Excess liquidity after compliance with S. 152 (2) of FBA / Statutory requirement 10%
The sum of large exposures	=	Sum of large exposures / Capital base x 100
Share of receivables with a reduced int.-rate	=	Claims written down (nominal) / Loans and advances + impairment losses
Impairment ratio for the year	=	The year's impairment losses on loans and advances x 100 / Loans and advances + guarantees + impairment losses

Notes

Note		Group 2010 DKK'000	2009 DKK'000	2008 DKK'000	2007 DKK'000	2006 DKK'000
47	**5-year financial highlights**					
	Financial highlights					
	Income statement					
	Net interest and fee income	302,758	258,482	240,334	224,702	224,565
	Other operating income	42,035	16,896	29,690	680	297
	Staff costs and administrative expenses, etc	256,823	214,895	221,175	185,524	173,024
	Impairment losses on loans, advances and receivables etc	106,651	110,906	192,534	-6,520	-14,347
	Other operating expenses[1]	20,883	25,681	6,679	27	0
	Profit/loss from investments in associates and group enterprises	571	0	0	-4,267	-3,361
	Profit/loss from activities being wound up	-2,067	0	0	0	0
	Profit/loss excl. translation/market value adjustments and tax	-41,060	-76,104	-150,364	42,084	62,824
	Translation/market value adjustments	1,240	20,397	-28,023	15,799	49,036
	Profit/loss before tax	-39,820	-55,707	-178,387	57,883	111,860
	Profit/loss for the year	-28,260	-42,063	-124,453	44,733	89,246
	Balance sheet at 31 December					
	Loans and advances	6,303,714	4,434,856	4,209,566	4,957,773	3,671,654
	Guarantees	1,443,142	1,106,035	1,827,178	3,134,935	2,815,988
	Deposits	4,279,437	3,899,478	2,858,701	3,228,357	2,377,654
	Equity at year-end	472,349	320,967	363,184	489,498	480,541
	Total assets	9,781,156	7,052,519	7,004,175	6,938,978	5,048,160
	Custody account volume	3,342,634	1,930,919	1,920,393	5,724,303	5,697,840
	Business volume	15,368,927	11,371,288	10,815,838	17,045,368	14,563,136
	Key ratios					
	Solvency ratio	14.8%	15.4%	10.8%	14.5%	15.6%
	Core capital ratio	9.4%	8.8%	5.4%	8.1%	10.3%
	Return on equity before tax	-10.0%	-16.3%	-41.7%	11.9%	27.2%
	Return on equity after tax	-7.1%	-12.3%	-29.2%	9.2%	21.7%
	Operating income over operating expenses	DKK 0.90	DKK 0.84	DKK 0.58	DKK 1.32	DKK 1.72
	Interest-rate risk	0.7%	2.3%	4.9%	4.6%	3.0%
	Currency position	0.9%	3.8%	2.9%	1.1%	1.3%
	Currency exposure	0.0%	0.0%	0.0%	0.0%	0.0%
	Loans and advances in ratio to deposits	158.6%	122.2%	155.5%	155.7%	157.7%
	Excess coverage relative to statutory liquidity requirement	208.5%	202.0%	161.7%	85.2%	67.9%
	The sum of large exposures	85.4%	112.3%	239.4%	167.6%	200.2%
	Share of receivables with a reduced interest rate	9.8%	8.3%	4.0%	1.0%	0.7%
	Accumulated impairment ratio	5.9%	6.0%	3.8%	0.9%	1.2%
	Impairment ratio for the year	1.3%	1.9%	3.1%	-0.1%	-0.2%
	Growth in loans and advances for the year	42.1%	5.4%	-15.1%	35.0%	56.2%
	Loans and advances in ratio to equity	13.3	13.8	11.6	10.1	7.6
	Earnings per share (denomination DKK 100) [2]	DKK -29.2	DKK -89.2	DKK -291.9	DKK 108.1	DKK 235.2
	Book value per share (denomination DKK 100)	DKK 313	DKK 802	DKK 915	DKK 1,231	DKK 1,171
	Dividend per share (denomination DKK 100)	DKK 0	DKK 0	DKK 0	DKK 15	DKK 15
	Price/earnings per share for the year (denomination DKK 100)	-4.7	-4.0	-1.0	24.6	12.0
	Price/book value per share (denomination DKK 100)	0.44	0.45	0.33	2.16	2.41

Interest on loans and advances written down for impairment in 2010 has been recorded at DKK 4,817k (2009: DKK 2,972k) under impairment losses on loans and advances. Comparative figures for 2008 and 2010 are presented pursuant to IFRS. The comparative figures for 2006 to 2007 have not been restated. Financial highlights for 2008 and 2010 relate to the Max Bank Group. The financial highlights for 2006 to 2007 relate to Max Bank A/S (parent) only.

1 Including a guarantee commission of DKK 19,241k for Bank Aid Package I (2009: DKK 2,573k).

2 Earnings per share for the year have been calculated as net profit/loss for the year excluding results from minority interests divided by share capital. Earnings per share for the year: Loss for the year after tax, DKK 28,260k, divided by the average share capital of DKK 96,924k = a negative DKK 29.2

Bank

	2010 DKK'000	2009 DKK'000	2008 DKK'000	2007 DKK'000	2006 DKK'000	Note
5-year financial highlights						47
Financial highlights						
Income statement						
Net interest and fee income	303,805	259,374	241,490	224,702	224,565	
Other operating income	19,368	1,371	11,768	680	297	
Staff costs and administrative expenses, etc	227,849	186,622	195,072	185,524	173,024	
Impairment losses on loans, advances and receivables etc	106,651	110,906	192,534	-6,520	-14,347	
Other operating expenses[1]	20,883	25,681	6,679	27	0	
Profit/loss from investments in associates and group enterprises	-5,895	-5,230	-3,710	-4,267	-3,361	
Profit/loss from activities being wound up	-2,067	0	0	0	0	
Profit/loss excl. translation/market value adjustments and tax	-40,172	-67,694	-144,737	42,084	62,824	
Translation/market value adjustments	1,960	20,397	-28,023	15,799	49,036	
Profit/loss before tax	-38,212	-47,297	-172,760	57,883	111,860	
Profit/loss for the year	-28,260	-37,146	-121,078	44,733	89,246	
Balance sheet at 31 December						
Loans and advances	6,317,263	4,454,083	4,215,583	4,957,773	3,671,654	
Guarantees	1,443,142	1,106,035	1,827,178	3,134,935	2,815,988	
Deposits	4,282,620	3,899,503	2,858,701	3,228,357	2,377,654	
Equity at year-end	472,391	319,656	356,956	489,498	480,541	
Total assets	9,777,334	7,044,263	6,987,945	6,938,978	5,048,160	
Custody account volume	3,342,634	1,930,919	1,920,393	5,724,303	5,697,840	
Business volume	15,385,659	11,390,540	10,821,855	17,045,368	14,563,136	
Key ratios						
Solvency ratio	15.0%	15.6%	11.1%	14.5%	15.6%	
Core capital ratio	9.5%	9.2%	5.5%	8.1%	10.3%	
Return on equity before tax	-6.9%	-14.0%	-40.8%	11.9%	27.2%	
Return on equity after tax	-7.1%	-11.0%	-28.6%	9.2%	21.7%	
Operating income over operating expenses	DKK 0.89	DKK 0.85	DKK 0.56	DKK 1.32	DKK 1.72	
Interest-rate risk	0.7%	2.2%	4.8%	4.6%	3.0%	
Currency position	0.9%	3.7%	2.9%	1.1%	1.3%	
Currency exposure	0.0%	0.0%	0.0%	0.0%	0.0%	
Loans and advances in ratio to deposits	158.8%	122.7%	155.7%	155.7%	157.7%	
Excess coverage relative to statutory liquidity requirement	208.6%	202.3%	162.6%	85.2%	67.9%	
The sum of large exposures	84.7%	111.0%	234.5%	167.6%	200.2%	
Share of receivables with a reduced interest rate	9.8%	8.3%	4.0%	1.0%	0.7%	
Accumulated impairment ratio	5.9%	5.9%	3.8%	0.9%	1.2%	
Impairment ratio for the year	1.3%	1.9%	3.1%	-0.1%	-0.2%	
Growth in loans and advances for the year	41.8%	5.7%	-15.0%	35.0%	56.2%	
Loans and advances in ratio to equity	13.4	13.9	11.8	10.1	7.6	
Earnings per share (denomination DKK 100)[2]	DKK -29.2	DKK -89.7	DKK -292.5	DKK 108.1	DKK 235.2	
Book value per share (denomination DKK 100)	DKK 313	DKK 798	DKK 899	DKK 1,231	DKK 1,171	
Dividend per share (denomination DKK 100)	DKK 0	DKK 0	DKK 0	DKK 15	DKK 15	
Price/earnings per share for the year (denomination DKK 100)	-4.7	-4.0	-1.0	24.6	12.0	
Price/book value per share (denomination DKK 100)	0.44	0.45	0.33	2.16	2.41	

1 Including a guarantee commission of DKK 19,241k for Bank Aid Package I (2009: DKK 25,073k).

2 Interest on loans and advances written down for impairment in 2010 has been recorded at DKK 4,817k (2009: DKK 2,972k) under impairment losses on loans and advances.

Notes

Note

48 ## Business segments

Group

	Corporate customers DKK'000	Private customers DKK'000	Group enterprises DKK'000	Staffs/other DKK'000	Elimination DKK'000	Total DKK'000
Income statement 2010						
Interest income	223,766	106,554	183	56,846	-1,398	385,951
Interest expenses	25,591	26,228	1,215	101,121	-1,398	152,757
Interest on accounts	-54,374	23,206	0	31,168	0	0
Net interest income	**143,801**	**103,532**	**-1,032**	**-13,107**	**0**	**233,194**
Dividends on shares etc	0	0	0	683	0	683
Fees and commission income	28,243	46,531	0	7,016	-16	81,774
Ceded fees and commission expenses	2,191	3,372	0	7,330	0	12,893
Net interest and fee income	**169,853**	**146,691**	**-1,032**	**-12,738**	**-16**	**302,758**
Translation/market value adjustments	0	0	-720	1,960	0	1,240
Other operating income	0	0	22,785	19,368	-118	42,035
Staff costs and administrative expenses	35,331	60,589	27,861	118,646	-134	242,293
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	0	0	1,247	13,283	0	14,530
Other operating expenses	0	0	0	20,883	0	20,883
Impairment losses on loans, advances and receivables, etc	67,207	20,801	0	18,643	0	106,651
Profit/loss from investments in associates	0	0	0	571	0	571
Profit/loss from activities being wound up	0	0	0	-2,067	0	-2,067
Profit/loss before tax	**67,315**	**65,301**	**-8,075**	**-164,361**	**0**	**-39,820**
– of this, the minority shareholders' share			0			0

The income statement and statement of comprehensive income are identical.

Key figures, balance sheet 2010	Corporate customers DKK'000	Private customers DKK'000	Group enterprises DKK'000	Staffs/other DKK'000	Elimination DKK'000	Total DKK'000
Loans and advances	4,601,112	1,495,098	1,457	221,054	-15,007	6,303,714
Deposits	1,092,088	2,523,564	0	666,968	-3,183	4,279,437
Guarantees	786,792	571,723	0	84,627	0	1,443,142

Notes

Group

Business segments

Note 48

	Corporate customers DKK'000	Private customers DKK'000	Group enterprises DKK'000	Staffs/other DKK'000	Elimination DKK'000	Total DKK'000
Income statement 2009						
Interest income	204,877	96,622	357	77,262	-1,606	377,512
Interest expenses	42,748	34,084	1,249	113,179	-1,606	189,654
Interest on accounts	-52,741	25,021	0	27,720	0	0
Net interest income	**109,388**	**87,559**	**-892**	**-8,197**	**0**	**187,858**
Dividends on shares etc	0	0	0	1,547	0	1,547
Fees and commission income	39,190	37,680	0	1,288	0	78,158
Ceded fees and commission expenses	2,454	2,263	0	4,364	0	9,081
Net interest and fee income	**146,124**	**122,976**	**-892**	**-9,726**	**0**	**258,482**
Translation/market value adjustments	0	0	0	20,397	0	20,397
Other operating income	0	0	15,525	1,371	0	16,896
Staff costs and administrative expenses	32,104	50,870	24,882	89,640	0	197,496
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	0	0	3,391	14,008	0	17,399
Other operating expenses	0	0	0	25,681	0	25,681
Impairment losses on loans, advances and receivables etc	76,075	15,405	0	19,426	0	110,906
Profit/loss before tax	**37,945**	**56,701**	**-13,640**	**-136,713**	**0**	**-55,707**
- of this, the minority shareholders' share			-6,745			-6,745
Balance sheet for key figures 2009						
Loans and advances	3,198,017	965,396	0	290,670	-19,227	4,434,856
Deposits	2,146,839	1,545,366	0	207,298	-25	3,899,478
Guarantees	620,344	411,244	0	74,447	0	1,106,035

The Group's primary segments are the business areas, in accordance with which the organisation, the internal financial management and reporting have been planned.
The business segments are broken down by Corporate, Private, Group enterprises and Staffs.
Corporate is responsible for transactions with corporate customers.
Private attends to transactions with private customers.
The Bank's group enterprises are evident from note 39.
Staff functions include Finance, Credit, Investments, HR, IT and Branch service.
Income and expenses from temporarily held assets are included in the Staff/other segment.
The segments being monitored by Credit have also been transferred for reporting purposes, and are now included in Staffs (at carrying amount).
Key figures for the balance sheet are included in accordance with the information included in the internal financial management. Assets and liabilities are allocated pursuant to this and not on segments.

Max Bank's exposures with group enterprises are placed with Corporate.

Note

49 ## Hedge accounting

The Max Bank Group uses the rules for fair value hedge accounting. The hedging instruments used typically consist of interest-rate swaps or interest rate and currency swaps that are used to hedge against changes in fair value of bonds issued. Only the swap interest rate is hedged. Credit margins and similar exposures are not.

Changes in fair value of the hedged instruments attributable to the hedged interest-rate risk are adjusted in the carrying amount of the hedged financial statement item and recorded in the income statement. Changes in fair value of the hedging instruments are adjusted in the positive or negative value, respectively, of the derivative financial instruments in the balance sheet, and the hedging instruments are also recognised in the income statement.

	Nominal value DKK '000	Fair value DKK '000	Value adjustment DKK '000
Interest-rate risk hedging of financial instruments			
Swaps	939,677	878	878
	Loans and advances at amortised cost	Fair value	Value adjustment
Equity and liabilities			
Bonds issued	937,017	938,799	-878

50 ## Events after the balance sheet date

After financial year-end, the state-owned Financial Stability Company acquired Amagerbanken following the latter's bankruptcy.

Max Bank has no credit facilities, shares, etc subject to risk of loss relating to Amagerbanken. As part of its regular trading activities and international payment services, Max Bank has funds deposited in foreign currency accounts etc with Amagerbanken. In addition, the Bank holds a block of Amagerbank bonds in its trading portfolio. We estimate that the Bank risks losing up to DKK 3m on these bonds.

Like all other Danish financial institutions, Max Bank is liable for the losses incurred by the Danish Guarantee Fund for Depositors and Investors in relation to Amagerbanken's bankruptcy. Max Bank's share of the sector's guarantee as provided to the Guarantee Fund for Depositors and Investors is 0.4% according to the latest calculation. Accordingly, the accounting loss can be calculated at approx DKK 9.8m.

Stock exchange announcements

List of Max Bank's announcements to NASDAQ OMX Copenhagen A/S pursuant to section 27 b of the Danish Securities Trading Act:

18-01-2010	Max Bank is granted the Individual Government Guarantee for specific loans
23-02-2010	Max Bank's annual report for 2009
24-02-2010	Annual information sheet of Stock Exchange announcements in 2009
01-03-2010	Notice of Annual General Meeting
05-03-2010	Flagging announcement
08-03-2010	Flagging announcement
11-03-2010	Max Bank to issue a floating-rate bond loan
15-03-2010	Max Bank to issue a floating-rate bond loan
15-03-2010	Flagging announcement
24-03-2010	Max Bank's Annual General Meeting held on 23 March 2010
26-03-2010	Max Bank to obtain a floating-rate EUR loan
29-03-2010	Extraordinary General Meeting
08-04-2010	Flagging announcement
20-04-2010	Max Bank's Extraordinary General Meeting held on 20 April 2010
22-04-2010	Max Bank to issue a floating-rate bond loan
11-05-2010	Max Bank to issue a floating-rate bond loan
11-05-2010	Q1 2010 in headlines
19-05-2010	3.92% Max Bank 2013 - ID Code DK0030005830
27-05-2010	Max Bank and Skælskør Bank agree on the basis for a merger
25-06-2010	Max Bank to issue a floating-rate bond loan
30-06-2010	Merger of Max Bank A/S and Skælskør Bank Aktieselskab
01-07-2010	Max Bank to issue a floating-rate bond loan
12-07-2010	Notice of Extraordinary General Meeting
15-07-2010	Flagging announcement
19-07-2010	Flagging announcement
23-07-2010	Flagging announcement
27-07-2010	Changes on Max Bank's Board of Directors
02-08-2010	Flagging announcement
11-08-2010	Max Bank's Extraordinary General Meeting held on 10 August 2010
12-08-2010	Notice of Extraordinary General Meeting
17-08-2010	Max Bank A/S, Interim report for H1 2010
18-08-2010	Flagging announcement
03-09-2010	Max Bank's Extraordinary General Meeting, held on Friday 3 September 2010
09-09-2010	Max Bank A/S and Skælskør Bank Aktieselskab have merged
21-09-2010	Major shareholder announcement in accordance with the Danish Securities Trading Act
28-09-2010	New annual report for 2009 and new interim report for H1 2010
01-10-2010	Max Bank to offer new shares
11-10-2010	Insiders' trading
14-10-2010	Insiders' trading
18-10-2010	Insiders' trading
19-10-2010	Insiders' trading
25-10-2010	Insiders' trading
26-10-2010	Insiders' trading
27-10-2010	Max Bank A/S has carried through a pre-emption rights issue with gross proceeds of DKK 103.9m
28-10-2010	Amendment of Articles of Association resulting from the capital increase
09-11-2010	Q1-Q3 2010
12-11-2010	Major shareholder announcement in accordance with the Danish Securities Trading Act
12-11-2010	Major shareholder announcement in accordance with the Danish Securities Trading Act

Executive Board

Henrik Lund, aged 45, Chief Executive Officer

Member of the Board of Directors of AdministratorGruppen AS
Member of the Board of Directors of AdministratorGruppen Leasing ApS
Member of the Board of Directors of AdministratorGruppen Invest ApS
Member of the Board of Directors of AdministratorGruppens Sikringskonto A/S

Henrik Borup Jeppesen, aged 48, Bank Executive Officer

Member of the Board of Directors of
Dansk ErhvervsFinansiering A/S

Company auditors

Deloitte Statsautoriseret Revisionsaktieselskab
Weidekampsgade 6
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Branches

Private customer branches

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Hovedgaden 50
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Faxe Branch
Torvegade 1
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Herlufmagle Branch
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Tel.: +45 5550 5400

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Tel.: +45 5957 6150

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Næstved Stor-Center Branch
Næstved Stor-Center 18
4700 Næstved
Tel.: +45 5578 2550

Skælskør Branch
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4230 Skælskør
Tel.: +45 5957 6040

Slagelse Branch
Fisketorvet 1
4200 Slagelse, Denmark
Tel.: +45 5856 0558

Sorø Branch
Holberg Arkaden 15
4180 Sorø, Denmark
Tel.: +45 5957 6235

Vordingborg Branch
Algade 99
4760 Vordingborg, Denmark
Tel.: +45 5536 0505

Direct Centre
Femøvej 3
4700 Næstved, Denmark
Tel.: +45 5616 5100

Corporate customer branches

Næstved Erhvervscenter
Femøvej 3
4700 Næstved, Denmark
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Slagelse Erhvervscenter
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4200 Slagelse, Denmark
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Dalmose Erhvervsafdeling
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Skælskør Erhvervsafdeling
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